

EUROPEAN NEWS

DOUBTS OVER SUBSIDIES

Soviet prices chief calls for overhaul

By Patrick Cockburn in Moscow

MR Valentin Pavlov, chairman of the Soviet state committee for prices, has said that the entire price system in the Soviet Union needs to be changed as soon as possible.

As the man in control of the Soviet pricing system, Mr Pavlov's views are important. Soviet economists see a change in the method of determining prices away from orders from above towards greater influence by the market as crucial to the introduction of successful economic reforms.

A year ago, Mr Pavlov replaced Mr Nikolai Glushkov, his highly conservative predecessor who had headed the state committee for prices for 11 years. Up to now he has been extremely reticent about changes but in a long interview entitled "overhauling the entire system of prices" recently published by the Soviet news agency Novosti, Mr Pavlov is strongly critical of the present pricing system.

Speaking of price formation, Mr Pavlov says: "We have long been pursuing a policy, not of price stability, but of price stagnation. As a result prices play little role in creating balance between supply and demand leading to continual shortages both for retail and wholesale goods."

Unsound

Heavy state subsidies at various stages between production and consumption also lead to goods being underpriced given the level of demand. Mr Pavlov gives as an example a subsidy of 2.5bn roubles (£2.5bn) for mineral fertilisers sold to farms and another subsidy of 3bn roubles (£3bn) for agricultural machinery.

"Since we use such economically unsound prices, farm products are sold to the consumer much cheaper than their actual production cost," says Mr Pavlov. Subsidies for food in 1987 amounted to 58bn roubles. A chart in the pamphlet says that Soviet rents have not changed since 1928, utility rates for electricity and gas since 1946, prices for bread, sugar

and eggs since 1954 and for meat, butter, cheese and milk since 1962.

Although the Government is evidently eager to raise the price of these basics it is concerned by the political impact of an increase in the cost of living.

Personal savings in the banks have risen to 270bn roubles in 1986 compared with 47bn in 1979 — an increase partly attributable to lack of items for sale. But a general price rise would hit the poorly paid — notably some 50m Soviet pensioners — and Mr Pavlov says the Government cannot raise prices without tackling the issue of pay.

Demand

He points out that five-year plans since 1976 have raised wages, pensions and cash benefits according to plan targets but proposals to produce goods sufficient to meet the consequent increase in demand have not been met.

The result is "a specific kind of inflation, because an ever increasing number of goods were in short supply and unobtainable." The state also had to increase the prices of other goods regarded as luxuries to pay for the subsidies on basics. As a result cars cost 2,500 to 3,000 roubles to make but sell at between 8,000 and 9,000 roubles.

Mr Pavlov says that it is doubtful, however, if goods such as cars, of which there are 15m on the roads, can really be classed as luxuries. He also notes that furs are considered a luxury and priced accordingly but "tell anyone in January when temperatures in Moscow can fall below 30 degrees centigrade that a fur coat or a fur hat is not an essential item."

Mr Pavlov does not say — and the Government has not decided — when price reform will be introduced but Soviet and foreign economists believe it will take between two and three years. When it does come it is likely to be the key test for economic change.

Early shift to rouble convertibility unlikely

By Patrick Cockburn

The Soviet Union is very unlikely to shift towards making the rouble convertible with Western hard currencies in the foreseeable future, said diplomats in Moscow yesterday.

Commenting on Western press reports about convertibility they said that the Soviet Union had pressed its East European and other allies grouped in the Council For Mutual Economic Assistance to accept convertibility between their soft currencies at a summit last November but had received no support.

A working party of CMEA members is examining the issue of convertibility and is to report to the next CMEA council meeting but it is unlikely that the Soviet Union will attain all its objectives.

Over the past two years Moscow has tried to increase its trade with its East European allies and to increase co-ordination of production and development. Making the rouble convertible with East European currencies would make trade easier.

Under a comprehensive programme for CMEA adopted in 1985 the Soviet Union is committed to continuing its supplies of oil, gas and electricity to its allies but wants better quality manufactures and machinery in return. It also wants individual East European countries to specialise — possibly through joint ventures — in different products which Moscow needs to import.

Some 500 individual Soviet enterprises now have the right to trade directly with Eastern Europe and a convertible currency would make it easier for them to carry out their business.

Difficulties in economic co-ordination, including the introduction of rouble convertibility, between the Soviet Union and the other CMEA countries stem partly from the East European desire not to become more reliant on Moscow. They also wish to sell their best products for hard currency in Western markets while continuing to obtain raw materials from the Soviet Union at prices often below the world market.

Company managers, Mr

Diana Smith assesses the election chances of two party leaders

Uneven battle for Portuguese votes

ANIBAL Cavaco Silva and Vitor Constancio have such similar backgrounds, educational records and career routes that it is tempting to say that the only difference between the two prominent Portuguese economists-turned-politicians is that one is tall, the other not.

Both men are in their forties. Both came from modest families and studied their way up the academic ladder to degrees in economics in Lisbon and post-graduate work in the United Kingdom. Prof Cavaco Silva was at York University, Dr Constancio at Leeds, both roughly at the same time.

Both have been finance ministers — Dr Constancio in 1978, Prof Cavaco Silva in 1979-80. Both have been officials of the Bank of Portugal for years, in the research and/or planning departments of the central bank.

But here the differences begin. Dr Constancio has been governor twice of the Bank of Portugal, in 1977-78 and 1985-86. Prof Cavaco Silva has been Prime Minister since October, 1986.

The parties the two head have similar names: Prof Cavaco Silva the Social Democrats (PSD), Dr Constancio the Socialists (PS). But there the similarity ends. The PSD (originally and more accurately baptised Popular Democratic Party) ranges from centre to conservative, the PS from social democrat Nordic-style to radical.

Prof Cavaco Silva hopes to repeat his prime ministerial performance, with a revised script and cast of his choice, after the July 19 general election.



Vitor Constancio (left): challenging Anibal Cavaco Silva for the prime ministership.

Dr Constancio has a similar ambition. But at the moment the polls offer Prof Cavaco Silva 39-46 per cent and Dr Constancio 23-28 per cent. Whether the PSD will win the 45 per cent it needs to free it from a tenuous coalition with the dwindling Christian Democrats (CDS) depends on how well Prof Cavaco Silva can woo enough of the electorate to give him 126 seats in parliament.

The most radical distance between the two men lies in style rather than content, since politically they have much common ground: a firm commitment to the European Community, a belief in streamlined management of the financial system and public sector, efficient financial markets and a less heavy handed central bank. But the difference is highly visible in this final week of campaign.

Prof Cavaco Silva, tall and gaunt, tough-talking and so prone to self-congratulation that his detractors often call him and his government arrogant, has reorganised a PSD that was in rebellious chaos before he took it over in mid-1986 and asserted Portugal's interests in the European Community. The technocrat from the Algarve has learned how to look more relaxed but still tends to speak stiffly. This, his admirers say, is not arrogance but painful timidity.

Whether shy or haughty, Prof Cavaco Silva has had no compunction in this campaign about assuring the Portuguese that if they do not give his PSD a majority they can expect hard times—political and economic impasse, financial instability and national gloom.

Dr Vitor Constancio, small, quiet, a persuasive negotiator greatly admired internationally for his tenacious, subtle dealings with the EC Monetary Fund and the EC, approaches his electorate in a radically different way. But so far his gentle persuasion that the Socialists are everyone's party and deserve a strategic vote even if only to frustrate the PSD's bid for a majority, is not lighting fires or scaring voters. His speeches are factual and undramatic but he sounds like a moderate searching conscientiously for a keynote he does not yet appear to have found. His campaign started timidly: only a small but discreetly-reassuring post from ex-Socialist leader President Mario Soares, and the discreet appearance in the background of members of the Soares clan, has dispelled some of the mood of gloom and sickness of approach for the run-up to July 19.

But it is symptomatic that while he did all he could to stress severance from his former leader, Dr Constancio in the event had to tip-toe into the outer fringe of President Soares' limelight.

The problem for Dr Constancio is that everyone can see what the new PSD is—a body kept under tight rein by its stern leader who has made several heads roll inside the party so as to impose order.

Instead of focusing exclusively on social aspects, the fund must provide "incentives" and to "reward highly outstanding workers and employees in the enforcement of discipline in labour, production and technology."

Albania presses on with pay incentives

By Judy Dempsey in Vienna

ALBANIAN authorities are pressing ahead with the introduction of income differentials among certain groups of workers as a means of providing incentives. The measures are part of a cautious policy by Mr Ramis Aila, the Albanian party leader who in recent months has been critical of the performance of the economy, to make economy more efficient.

The new measures, which were spelt out in the party's theoretical monthly magazine, stipulate that material incentives and fixed bonuses will be given to those workers' collectives and individuals who exceed the plan and "especially for those who create inventions, rationalise, or achieve tangible gains for the economy." The article said that the new bonuses and incentive schemes would be taken from a special fund.

At the moment, most Albanian enterprises have a fund which looks after the social interests of the workers, providing them with excursions, short holidays and other forms of entertainment. It has been decided that the funds in the enterprises should not only be doubled but that their scope should be redefined.

Instead of focusing exclusively on social aspects, the fund must provide "incentives" and to "reward highly outstanding workers and employees in the enforcement of discipline in labour, production and technology."

Hungarian workers urged to show job flexibility

By Leslie Collett in Berlin

HUNGARY's senior economics officials said Hungarians must learn to change jobs "three or even four times" in their working life as the result of new economic reforms expected to close down many loss-making companies.

Mr Miklos Nemeth, the Communist Party's newly-appointed central committee secretary for economic policy, said "effective employment" is to be given greater emphasis although full employment remains a "basic principle."

Nemeth said, should have the right to give notice to "those who work badly." The jobless, he said, would get new employment through labour exchanges, public welfare jobs and retraining.

Reforms announced earlier this month by the party stipulate that subsidies are to be more "forcefully" reduced to loss-making companies, which are to be closed down if they cannot be made profitable.

Mr Nemeth said the Government had paid the "horribly

large sum" of 50bn forints (more than \$1bn) to subsidise inefficient producers in the past 18 months.

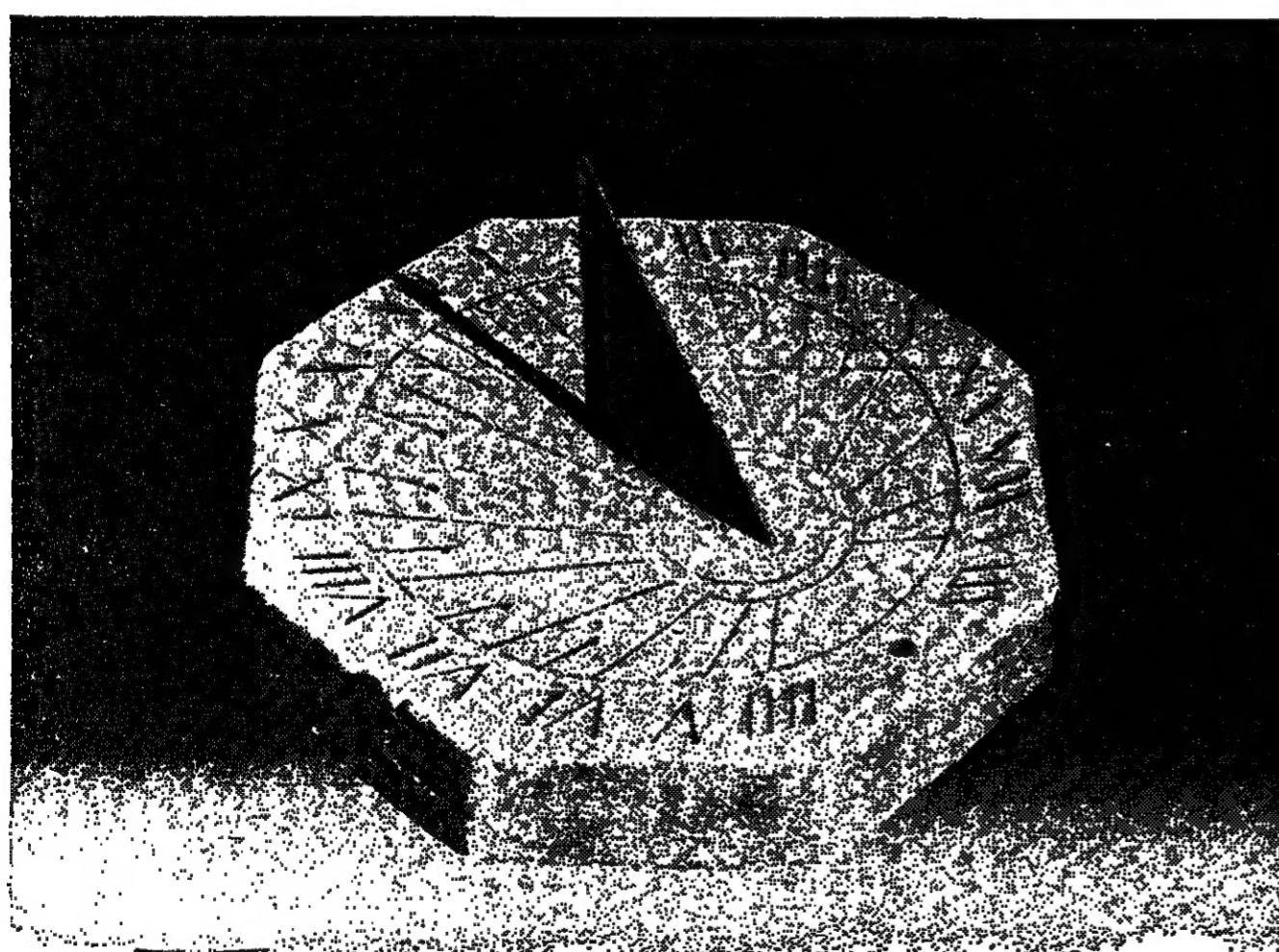
Mr Nemeth said the aim would be to create a regulated market which eliminated harmful monopolies and fostered competition among industrial processes, in services, agriculture and food processing.

Mr Nemeth claimed the future strategic role of central planning would not weaken but strengthen the responsibilities of planners and government

bodies. He said there had been a rethinking of the Communist Party's leading role and of the division of labour between the party and government "amidst new conditions." This would be reflected in the reform programmes to be presented in the autumn.

A Hungarian official said the Government sought to reduce the rate of increase in the foreign debt—expected to reach up to \$3.5bn this year—then halt its rise by the end of the decade.

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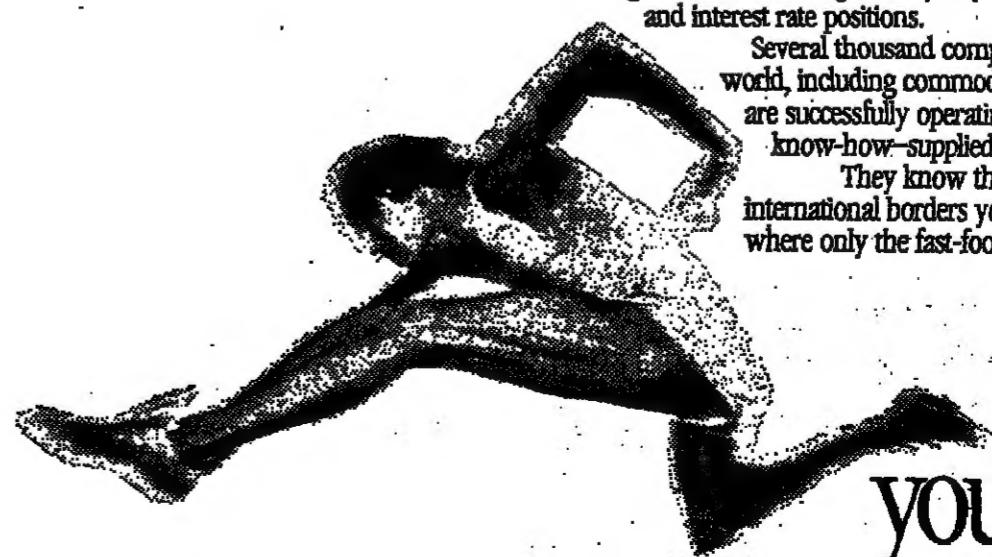
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EUROPEAN NEWS

EC demands progress by Moscow on human rights

BY QUENTIN PEELE IN COPENHAGEN

EUROPEAN COMMUNITY foreign ministers yesterday called on Mr Mikhail Gorbachev, the Soviet leader, to prove the substance of his reforms with "concrete deeds" on human rights at the Vienna conference on security and co-operation in Europe.

They expressed a growing mood of optimism about the reforms launched in the Soviet Union, and about the prospects for an agreement on the removal of intermediate-range nuclear missiles (INF) from Europe — but tempered their enthusiasm with the demand for more proof of action.

A broad-ranging debate on the state of East-West relations, and the meaning of the Gorbachev plans for economic and political reforms, dominated the foreign ministers' six-monthly debate on political aspects of foreign policy, held in Copenhagen under Danish chairmanship.

The 12 ministers concluded that the prospects for an INF agreement remained good, in spite of disagreements between the US and Soviet Union on the

maintenance of 100 missiles in Asia, and the inclusion or exclusion of 72 West German Pershing 1A missiles in the final deal.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, gave what was described as "a very positive assessment" of the value of the recent visit to Moscow by Mr Richard von Weizsäcker, the West German President. He told his colleagues it was "obvious that the Soviet Union wanted results from the arms talks in Geneva," according to Mr Uffe Ellemann-Jensen, the Danish Foreign Minister who chaired the talks.

Mr Geoffrey Howe, the British Foreign Secretary, said the public pressures were being used to increase the talks and security conference came to a head. "The West must not allow itself to be blown off course by rude noises from the Soviet propaganda bull-horn," he said. "The fact of the matter is that if the West holds steady, the end of the year could see both an INF agreement and the door opened to new sets of talks on strength-

ening security and reducing conventional weapons in Europe."

Even Sir Geoffrey expressed the view that Mr Gorbachev had launched "a far-reaching agenda of reform" at the recent Soviet central committee plenum which "almost certainly forebadowed a period of some turbulence in the Soviet Union."

A major concern expressed by many of the ministers was the need for Western Europe to have a clear and concerted political response to the reforms being initiated in Moscow. One proposal already suggested to the Soviet government is for the 12 EC ambassadors to hold regular meetings with Mr Eduard Shevardnadze, the Soviet Foreign Minister, to reinforce the dialogue.

The 12 are open to the possibilities presented by recent developments in Soviet policy, they concluded. However, "they insist on the need for significant and lasting progress to be achieved in all fields and in particular as regards respect for human rights and fundamental freedoms."

Surprise choice as Italian Premier

By Alan Friedman in Milan

PRESIDENT Francesco Cossiga last night surprised the Italian political world by asking an unlikely Christian Democrat — Mr Giovanni Goria, the 43-year-old Treasury Minister, to form a government.

The choice of Mr Goria, whose only Cabinet post has been as Treasury Minister since December 1985, comes in the wake of violent opposition by the Socialist Party of Mr Bettino Craxi to the naming of Mr Ciriaco De Mita, Christian Democrat party leader, as Prime Minister-designate.

The naming of the bearded and charismatic Mr Goria as premier-designate, was seen in Rome last night as a clear sign that Italy is headed for more political stability after the summer months. Mr Goria is at best a compromise candidate.

It was widely expected that should Mr De Mita not be asked to form a government, the mandate would be given to an experienced Christian Democrat such as Foreign Minister Giulio Andreotti or former deputy premier Arnaldo Forlani.

Drop in Sweden's payments surplus

Sweden's balance of payments current account weakened in the first quarter of this year, writes Kevin Done, Nordic Correspondent in Stockholm.

The surplus fell to Skr 800m from Skr 1.7bn in the first three months of 1986, according to the Riksbank, the Swedish central bank.

The deterioration was caused by the decline in the trade surplus to Skr 6.7bn from Skr 8.7bn a year earlier.

Imports rose faster than exports as a result of a strong increase in private consumption and industrial investment.

Extremists embarrass French right

BY GEORGE GRAHAM IN PARIS

FRANCE's right-wing majority parties have been forced again to confront their relationship with the extreme right-wing National Front, only two months after narrowly averting a dangerous split in the government over the issue.

Party leaders are due to consider tomorrow what to do about Mr Hervé Fourniel, the Republican mayor of Grasse, the world's perfume capital, who formed an alliance with the National Front party of Mr Jean-Marie Le Pen in order to win re-election on Sunday.

Mr Fourniel defeated his Communist rival thanks to the National Front votes, but in the second round of the two-stage election the left-wing parties gained ground at his expense.

The Grasse election has re-awakened the fears of supporters of Mr Michel Noir, the Foreign Trade Minister who two months ago came close to resigning from the Government after he was rebuffed for writing that he would prefer to lose



Jacques Chirac: difficult time

the next national elections rather than to make a pact with the National Front.

At the same time, the majority parties have been embarrassed by the widely publicised return from South Africa of nine right-wing mem-

bers of parliament, three of them members of the National Front, who have been convinced by their short visit that apartheid no longer exists. The nine have been attacked from all sides for their comments, although from the right the tone has been less one of outrage than of amazement that the six members of the RPR and UDF parties which make up the ruling majority should have been so naive.

"Only a few months away from next year's elections, they have taken the risk of opening up a controversy which can only play the game of the left and which the presidential candidates of the right could well have done without," said the pro-government newspaper Le Quotidien de Paris. The problems arise at a difficult time for Mr Jacques Chirac, the RPR Prime Minister, whose chances in next year's presidential election could be endangered if he loses voters to the National Front.

The extreme right-wing party of Mr Le Pen is currently scoring around 13 per cent of the votes in opinion polls and nearly double that in some of France's southern regions. Mr Chirac's rating has slumped over the past two months, according to an Ipsos opinion poll published yesterday and stands even lower than it did last winter during the student riots and public transport strikes. President Francois Mitterrand, in contrast, has gained ground in the polls by adopting the image of a father of a nation.

RPR ministers are concerned that Mr Mitterrand will win the presidential election next spring by presenting himself as a candidate of the centre, not of the left. Some ministers believe that enough of their current supporters would desert them in the event of a Mitterrand victory next year to enable him to reverse the 1986 electoral law and restore proportional representation.

UK in chemical weapons move

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN will today make detailed proposals for the establishment of an international organisation which would verify a chemical weapons ban and supervise the phased destruction of these weapons over a 10-year period.

Mr David Meller, Minister of State at the Foreign Office, who is due to table the proposals at the 40-nation disarmament conference in Geneva, said yesterday that they were aimed at making sure that nations' claims about their stocks and destruction of chemical weapons were true.

"At the moment, we have a position not just on chemical weaponry, but also on conventional arms where the Soviet

Union is very reluctant to say exactly what they have got," Mr Meller said in a radio interview.

"We want people to say exactly what they have got, we want to see an organisation established, an international organisation which would have the capability not only to verify, but also to deal with the phased destruction of all of these weapons."

Referring to the recent announcement by the US that it would resume the production of chemical weapons, which was halted in 1969, Mr Meller said this decision had been taken because of frustration that the unilateral gesture by the US and Britain to stop the manu-

facture of these weapons had not been reciprocated by the Soviet Union.

"They, too, have now stopped making chemical weapons, but we think they have got masses of them."

So far, there is general agreement between the participants of the disarmament conference that there should be a total, world-wide ban on the development, production, acquisition, stockpiling and transfer of chemical weapons. The Soviet Union and the western nations, however, still disagree over the crucial issue of challenge inspections and the declaration of chemical arms stockpiles and manufacturing facilities.

SPD accuses Bonn of risking coal jobs

BY DAVID MARSH IN BONN

WEST GERMANY'S Opposition Social Democratic Party (SPD) yesterday joined a controversy over the country's energy policy by accusing the Government of putting 100,000 coal jobs at risk over the next five years.

Mr Volker Hauff, the SPD's main spokesman on the environment and energy, said the centre-right coalition was following a "hectic, short-sighted policy of cutting back dependence on coal. This ignored the likelihood that oil prices would rise again in the 1990s, returning West Germany's at present hugely unprofitable coalmines to competitiveness."

Mr Hauff, a former Techno-

logy Minister responsible for atomic research in the previous government of Mr Helmut Schmidt, is a key figure behind the SPD's policy aiming for a 10-year phasing out of nuclear energy in the Federal Republic.

He said the Government was basing its planning on streamlining a further 5,000 MW of nuclear power capacity by 1990 in spite of the existing surplus in electricity generating capacity.

He claimed that this, together with reduced demand from the steel industry and falling exports, would reduce 100,000 West German coal sales to 55m tonnes by 1985 from 78m tonnes

last year and 78m this year.

Anthracite consumption by power stations would fall to 35m tonnes a year from 1990 he predicted. The Government was negotiating the breakup of the agreement with electricity producers which is meant to maintain use of coal in power stations at around 40m tonnes up to 1995, he claimed.

This would entail the loss of 50,000 jobs among the country's 160,000 coalminers. Including jobs which depended directly on the coalminers in hard-hit areas of the Ruhr and the Saar, a total of more than 100,000 coal-related jobs was at risk, he said.

French and Norwegians to step up military links

BY KAREN POSSI IN OSLO

NORWAY and France have agreed to broaden their defence co-operation.

This has been agreed by Mr Johan Joergens Holst, the Norwegian Defence Minister, and Mr Andre Girault, his French counterpart, the Defence Ministry in Oslo confirmed.

The ministers agreed to extend their countries' co-operation in the "military field and in the field of armaments." Later, the ministry said, "it could not be excluded that French troops could participate in Norwegian military manoeuvres."

Although the agreement was described as a "political approach," Norway has several reasons for strengthening its military ties with France.

Canada's withdrawal of commitment to support Norway with the Canadian brigade has

forced it to seek other options. "They do not queue up to offer troops to reinforce Norway," the minister said.

Norway is also seeking to develop its base of military contact with other European countries so as not to be so dependent on the Atlantic partnership co-operation with the US in the military and armaments fields.

Norway is also to expand its bilateral trade agreement with France, conditional on French government ratification of the giant Norwegian Troll gas sales deal made last year.

"France is a very technologically advanced country and there is every reason to look into what one needs on the Norwegian side which might be met by French products or even by French-Norwegian armaments co-operation," the ministry said.

Greek threat to cancel visit by US official

By Andreas Ierodiakonou in Athens

THE GREEK Government has ruled against a visit to Athens by Mr Michael Armacost, US Under-Secretary of State for political affairs, who will be in the region later this week, unless Washington retreats recent allegations of Greek contacts with Middle East terrorist groups.

The Armacost visit is the latest casualty of the crisis which erupted between Washington and Athens at the end of June after an American claim that Dr Andreas Papandreu's Socialist government had contacts with the Abu Nidal terrorist group.

The Greek government subsequently froze the start of talks with the US on the future of the US military base in Greece beyond the end of 1988.

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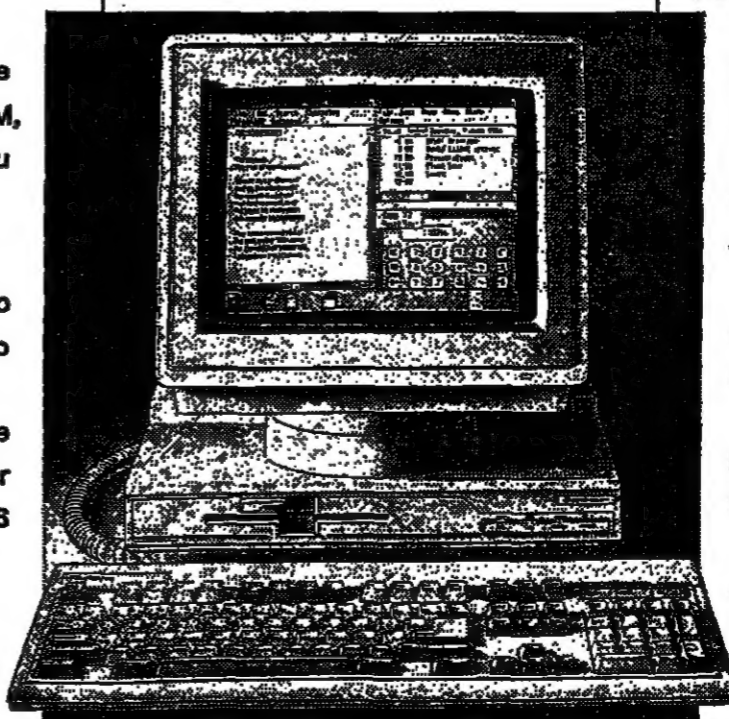
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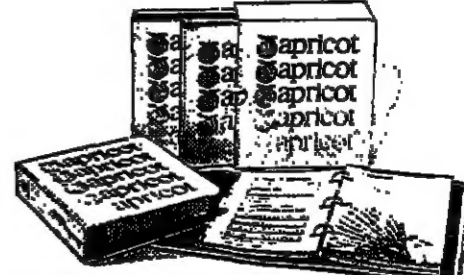
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AMERICAN NEWS

White House says Reagan was not briefed on arms

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE WHITE HOUSE yesterday firmly rejected suggestions that President Reagan had been briefed last year on plans to use profits from Iranian arms sales for covert operations following comments by Senator Daniel Inouye, co-chairman of the congressional committee investigating the Iran/Contra arms scandal.

Senator Inouye's comments also provoked a sharp exchange between the Democratic co-chairman of the committee and two Republican members. They charged that, contrary to the impression created by newspaper reports of Senator Inouye's remarks, a memorandum that went to the President and to which he had referred did not indicate that profits were used for covert operations.

"I would suggest that the President could have read it from cover to cover and not have had any knowledge of an alleged diversion,"

said Representative Richard Cheney.

Earlier, Lt Col Oliver North found both his political convictions and his capacity to manage the far-flung covert operations under his control under fire. Members of the inquiry seized the opportunity to turn the hearings into a platform from which they could present to the national television audience their own interpretation of the affair.

After four days of listening to Col North use the hearings as a stage from which to propound and justify his political philosophy, Sen George Mitchell of Maine told Col North that there is "another point of view."

The hearings' investigations of Col North are more or less over and attention is switching towards the testimony later this week of Rear Admiral John Poindexter, President Reagan's former National Security Adviser.



Oliver North (left) and John Poindexter: Two keys to the question of how much President Reagan knew

Col North yesterday found his ideological commitment to the Contras being criticised. With public opinion polls suggesting that Col North's covert operations are less attractive to the American people than his personality, Sen Mitchell issued an eloquent appeal urging him to recognise that "it is possible for Americans to disagree with you and still love their country."

Referring to Col North's comments thanking God for the help provided for the Contras, Sen Mitchell, adopting the tone of a teacher towards a student, gently

rebuked him saying "God doesn't take sides in American politics." He went on: "Many patriotic Americans believe there is a better way to bring peace to Central America and contain the Sandinistas" than the policies which the Reagan Administration has been following.

Col North also found himself faced by Sen Paul Trible, a Republican critic of the Iran-Contra operation, with the charge that he had naively trusted his two principal private partners in the operation, Mr Richard Secord and Mr Albert Hakim.

Poindexter to go on stand

BY LIONEL BARBER IN WASHINGTON

REAR ADMIRAL John Poindexter, probably the single most important witness at the Congressional inquiry into the Iran-Contra scandal, is expected to appear before the joint House-Senate panel in Washington.

For the US public, the admiral will be best placed to answer the prime question: Did President Ronald Reagan know about the diversion to the Nicaraguan Contras of profits from secret US arms sales to Iran? As Mr Reagan's National Security Adviser during most of 1985—until he was removed when the scandal broke last November 25—Admiral Poindexter enjoyed daily access to the president.

More than any previous witness, he knows that Mr Reagan was told about the scheme to divert money to the Contras during a Congressional ban on US military aid to them.

Admiral Poindexter could strip away Mr Reagan's one remaining denial in the affair—that he knew nothing about the diversion.

Yet this, by itself, is not of paramount importance because the majority of Americans do not believe the president's

denial. Indeed, since the Iran arms deals became public knowledge, the president and his advisers have been, at the very least, casual about telling the truth. This is best illustrated by their refusal to admit that Mr Reagan authorised the barter of US arms for American hostages held in Lebanon.

Far more revealing and damaging would be the admiral's account of duplicity, incompetence and unnecessary secrecy which pervaded the Reagan administration and led directly to the shambles of the Iran-Contra affair.

A perpetual pipe-smoker, Adm Poindexter, 50, became national security adviser in January 1986, after the resignation of Mr Robert McFarlane.

It is widely accepted that the latter was pushed out of the White House by Mr Reagan's imperious chief of staff at the time, Mr Donald Regan.

Mr Regan—recognised that the adviser's post had declined in influence since the globe-trotting days of Dr Henry Kissinger—was determined to keep it that way.

Adm Poindexter, a bodkin who graduated head of his class at the US Naval Academy in 1958,

had none of Mr Regan's skills in political ingighting to challenge him. Instead, he retreated into his office, quietly tapping out commands on his internal White House computer, supervising Lt Col Oliver North's bewildering array of covert operation around the world.

A conservative and devout Christian, Adm Poindexter will argue to the committee he was unaware of some of Col North's activities.

In support, he will use the colonel's earlier testimony that the latter reported frequently to the late Mr William Casey, CIA Director, thereby bypassing the admiral.

In general, though, he is expected to stand firm on the principle of Contra support, even during the Congressional ban, and argue strongly for wide discretionary powers in support of the president's foreign policy. Whatever the validity of these arguments, the admiral's most immediate problem is the television cameras.

He will cut a sharp contrast with Col North, whom he supervised at the National Security Council and whose testimony last week captured the emotional support of thousands of

Americans. An icy figure whose bureaucratic language has none of the barrack room colour of the colonel's, Adm Poindexter is unlikely to inspire the same sympathy and so can expect far rougher treatment by the committee.

Col North's core defence—that he was acting under orders—has also made things far more difficult for his former boss. "The buck stops at Poindexter," said one Congressional staff man last week, unless he passes it on to the president.

No-one outside a small circle of Committee officials and members knows what Adm Poindexter has said in his four private sessions in preparation for his public appearance before the Committee.

So far, the clearest hint that he obtained a presidential approval for use of the profits from Iran for covert operations (including perhaps the Contra support operation) is in a memo of September 15 from Col North to Adm Poindexter. That could be the "smoking gun" memo.

The question this week will be whether Adm Poindexter decides to pull the trigger.

Venezuela urged to impose austerity

BY JOE MANN IN CARACAS

EVALUATION TEAMS from the International Monetary Fund and the World Bank have told the Venezuelan Government that it should reduce public sector spending, allow domestic interest rates to rise, expand non-oil exports and speed the provision of foreign currency to private sector importers.

Following visits by teams from both international agencies, Mr Manuel Azpura, Finance Minister, said the evaluation teams "recognised the efforts" made by the government to rectify the economy in several policy areas. It was not known, however, whether the minister had made public all of the criticisms by the two agencies.

The IMF and World Bank groups were in Venezuela to

analyse the government's economic policies and evaluate the economy's recent performance. The World Bank team left here on Friday.

Venezuela has not sought loans from the World Bank since the early 1980s, but is now trying to obtain a series of large credits for development projects.

Despite reductions in oil export revenues, Venezuela's most important source of income the government of President Jaime Lusinchi has continued to spend on social welfare programmes and subsidies.

The economy grew by more than 3 per cent in 1986 but the outlook for this year is growth of 1 per cent or less with a substantial balance of payments deficit and increased inflation.

Opposition in Panama plans strike

By Peter Ford in Panama City

OPPOSITION LEADERS seeking the removal of General Manuel Antonio Noriega, the Panamanian strongman, said yesterday they would hold a second mass rally this week, their first attempt having been broken up by police on Friday.

They also announced plans for a general strike, but set no date for either action. The general insists he has no intention of resigning.

Firing buckshot and tear-gas grenades, riot police and troops fought off thousands of anti-government demonstrators trying to hold a rally on Friday that President Eric del Valle had banned.

Scores of protesters were wounded, and at least 300 were arrested, in violent incidents but there were no reported deaths. Troops were posted at key points through the city centre over the weekend to prevent any further demonstrations.

Canada arrests refugee ship

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Coast Guards have arrested a refugee vessel off the coast of Nova Scotia, after a group of 174 East Indians landed from small boats in fog near Dartmouth early on Sunday.

Coast Guard vessels and helicopters were looking for a second refugee ship, according to federal immigration officials in Halifax. The first has been taken to Halifax with the refugees.

This is the second boat drama in Canada in 11 months. Last August, 155 Tamil refugees from Sri Lanka landed on the Nova Scotia coast. They said they had fled for a voyage from India, via Europe. The incident raised charges in Canada that the country's immigration laws were too lax.

The Tamils were accepted as political refugees and all have found jobs, mainly in Ontario and Quebec.

Police yesterday arrested a Tamil believed to be the captain of the first refugee ship, but they had no explanation of how he came to be ashore.

They also arrested an east Indian, while the 174 refugees—173 men and one woman—were being screened by immigration officers in Halifax.

Some of the refugees were described as Sikhs, and the Sikh community in Canada offered help.

Immigration officials were sceptical of refugee claims that they had come from India. Clothing and luggage suggested they had come from Europe, possibly Hamburg or Amsterdam. The Tamils last August admitted eventually that they had set out from West Germany.

Canadian law says that anyone who manages to set foot on Canadian soil and claims to be a political refugee can remain while hearings take place to determine the validity of the claim.

Mr Benoit Bouchard, Immigration Minister, said the latest boat people cannot be deported because of the law. But the Government has proposed to reduce abuse, mainly by reducing the time needed to determine individual refugee cases.

Police at Dartmouth suggested that a second refugee ship may be carrying women and children.

Washington lobbyist goes on trial for perjury

BY OUR WASHINGTON STAFF

PRESIDENT REAGAN's former senior White House adviser, Mr Michael Deaver, went on trial here yesterday charged with two counts of perjury in a grand jury investigating his lobbying.

Mr Deaver—a close friend of Mrs Nancy Reagan, the president's wife—is the first person ever to be indicted under the Ethics in Government Act of 1976, which was framed to crack down on unethical conduct and conflict of interest after the Watergate affair.

His fall from grace is seen as a textbook illustration of how not to do business in Washington. As head of his own lobbying firm—set up shortly after

he left the White House in 1985—Mr Deaver immediately advertised his White House connections and, to the fury of other lobbyists, for contracts to lobby on behalf of big US corporations and foreign governments.

His trial follows a lengthy court battle, in which he tried to block the inquiry by the court-appointed prosecutor Mr Whitney North Seymour. This failed, but the trial will not focus on his lobbying but on the perjury charges.

The trial could last up to five weeks and, if convicted, Mr Deaver faces a maximum jail sentence of 35 years and fines of up to \$34,000.

David Buchan reports on ambitious Defence Department procurement policies

US competition takes on a dizzying aspect

IT WAS industrial espionage, but under the aegis of the US Navy and in the name of competition to give the American taxpayer better value for his money.

Newport News, the giant Virginia shipyard, recently was given the job of servicing the latest operational Trident submarine, the USS Nevada, precisely so that its engineers and assessors could crawl all over the \$1.4bn boat built by rival General Dynamics to see whether they wanted to take a tilt at GD's Trident submarine monopoly.

Newport News is still weighing the Navy's proposal that it enter the lists against GD. The Navy also believes that Lockheed, sole maker of long range, submarine-launched missiles since the US started putting part of its strategic deterrent to sea, should face competition on the production of the Trident D-5 missile it is now developing.

It reckons that Martin Marietta, maker of long range land-based missiles like Titan and Pershing, could provide that competition. So does Martin Marietta itself.

The outcome is of potential interest and benefit to Britain, the US export customer for the D-5.

It is at this stage, with talk of two companies tooling up to produce an item so sophisticated that a single production line is only barely within a major European country's national resources, that the foreigner begins to feel a little dizzy. The most ambitious European proponents of competition on a national level—Mr Peter Levene, chief of UK defence

have receded with the retirement of Mr David Buchan, General Motors, you can always turn to Ford. Benefits of competition can be reaped in every year of production, not just at the award of an R & D or production contract.

Several factors helped shape this philosophy. The political hue and cry in the mid-1980s over the fiscal deficit defused items that the public could easily judge to be wildly overpriced, such as the \$600 hammer or the \$2,000 airborne coffee pot, led the services to open up supply of more spare parts and components to competition. This policy has also helped broaden DoD's supplier base; "vendor bias" run by the services have brought in new suppliers recently, in particular in those parts of the country where a depressed oil industry is looking for new work.

The biggest obstacle to further success in this field is that the Government does not own the proprietary rights for much old equipment (it now insists on such rights in new contracts). In order to produce "data packages" for would-be competitors the services have bought new rights on old equipment gone to court on occasion to acquire rights from existing patent holders and even done their own reverse engineering to create their own rights.

Initial procurement of C-130 transport or B-52 bombers was a long time ago when we, the Air Force, didn't buy data," says General William Hallin, his service's top competition advocate. The Air Force buys more than 100,000 items from the data on which a second supplier could work is either locked up legally by the original producer, incomplete or non-existent. So, just as if it were working on captured Soviet equipment, the Air Force reverse engineers the item to re-create the data.

Another specific factor driving the move towards competitive defence production was the realisation in the mid-1980s



unlike the civil economy where there are always a continuous alternative—if you don't like General Motors, you can always turn to Ford. Benefits of competition can be reaped in every year of production, not just at the award of an R & D or production contract.

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Another specific factor driving the move towards competitive defence production was the realisation in the mid-1980s

that, in the important area of tactical missiles, there were (a) quality problems with existing producers and (b) sufficient volume to warrant secondary producers.

"Dual sourcing" of missiles had been done before (Sidewinder and Sparrow, for example) and was bound to increase as missiles came to rival traditional ammunition as the services' high-volume "consumables". But it was given a fresh fillip when Hughes Aircraft (now owned by General Motors) had to shut down its Tucson plant for six months in 1985 after the DoD stopped progress payments due to quality problems.

It so happened Tucson produced missiles for all three services—Maverick for the Air Force, TOW for the Army and Phoenix for the Navy. Hughes executives regard it as a coincidence, but the fact that Hughes has been probably most hit of any company by second sourcing and is facing produc-

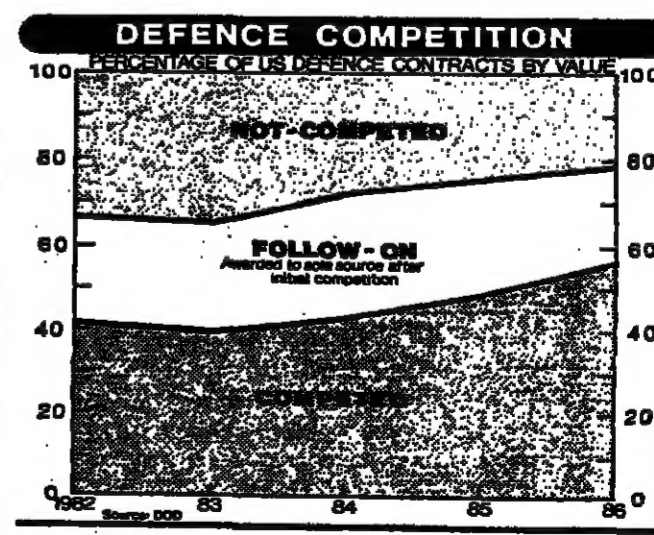
put 60/40 or 70/30 per cent, with the lowest bidder getting the higher stake. But the Navy, under Mr Lehman, has played it tougher. In 1985, for instance, GD got all four nuclear attack submarine orders, all of last year's four attack sub orders went to Newport News. This sharpening of the rewards and risks of competition brought savings of \$250m on the four 1986 attack submarine orders according to Admiral Robert Moore, the Navy competition advocate. It is also a reason why the Navy's savings, or claimed savings, from competition are higher than the other two services.

The threat, as much as the reality, of dual sourcing can be quite as effective. To avoid competition, a supplier will often give the services a discount on his existing price, if he can also get a multi-year order.

General Charles Henry, Army competition advocate, welcomes this, adding: "A bargain is a bargain wherever I get it." He cautions, that Congress, to forgo its beloved annual review of programmes, requires a minimum 10-12 per cent price cut to justify a multi-year procurement. But Raytheon, for instance, offered more than that—a \$31m cut over three years, to keep its Patriot missile out of the competition's hands.

In the end, it is a numbers game. The DoD and industry each have to weigh up competition costs and production runs and decide if there are, respectively, enough savings or profits to be made. The DoD has costs such as evaluating bids and paying for a "leader" company to instruct a "follower" company in dual-sourced production. Companies, for their part, have to reckon with the fact that the DoD now allows them to recover much less in the way of special tooling costs.

This is the second of a series of articles charting the consequences of the dramatic military build-up of the Reagan years. The first article appeared on July 13.



KINDER-CARE INTERNATIONAL N.V.

has called for the redemption of all of its 6 1/4% Convertible Subordinated Guaranteed Debentures Due August 15, 1986

(Convertible into Common Stock of, and Guaranteed by A Subordinated Basis as to Payment of Principal, Premium, if any, and Interest by, Kinder-Care, Inc.)

Redemption Date: August 14, 1987

Conversion Right Expires: August 14, 1987

Kinder-Care International N.V. ("International") has called for redemption on August 14, 1987 (the "Redemption Date") all of its outstanding 6 1/4% Convertible Subordinated Guaranteed Debentures Due August 15, 1986 (the "Debentures") at a redemption price of 105% of the principal amount of Debentures, plus accrued and unpaid interest through the Redemption Date of \$2.53, for a total of \$1,052.53 for each \$1,000 principal amount of Debentures. The Debentures are convertible into shares of Common Stock of Kinder-Care, Inc. ("Kinder-Care") until the close of business on the Redemption Date at a conversion price of \$13.625 per share for each \$1,000 principal amount of Debentures. As described below, based upon current market prices, the market value of the Kinder-Care Common Stock into which each Debenture is convertible is greater than the amount of cash which would be received upon surrendering a Debenture for redemption. ALL RIGHTS TO CONVERT THE DEBENTURES INTO COMMON STOCK OF KINDER-CARE EXPIRE AT THE CLOSE OF BUSINESS ON AUGUST 14, 1987.

Debentureholders have, as alternatives to redemption, the right to sell their Debentures through usual brokerage facilities or, on or before the close of business on August 14, 1987, to convert such Debentures into Kinder-Care Common Stock. The last reported sale price of Kinder-Care Common Stock on the NASDAQ National Market System on July 7, 1987, was \$18.125 per share. At such last sale price per share, the market value of the Kinder-Care Common Stock into which each \$1,000 principal amount of Debentures is convertible was \$13,330.19; but such value will vary depending on changes in the market price of the Kinder-Care Common Stock. SO LONG AS THE MARKET PRICE OF KINDER-CARE COMMON STOCK IS \$14.98 OR MORE PER SHARE, DEBENTUREHOLDERS UPON CONVERSION WILL RECEIVE KINDER-CARE COMMON STOCK AND CASH IN LIEU OF ANY FRACTIONAL SHARE HAVING A GREATER MARKET VALUE THAN THE CASH WHICH THEY WOULD RECEIVE UPON REDEMPTION.

On the Redemption Date, the redemption price (plus accrued interest) will become due and payable upon each Debenture. The Debentures will no longer be outstanding after the Redemption Date. Other than the right to convert Debentures into Kinder-Care Common Stock through the close of business on the Redemption Date and the right of holders of Debentures to receive the redemption price and interest accrued to such date, all rights with respect to the Debentures will cease on the Redemption Date.

Any payment made within the United States, including a payment made by transfer to an account maintained by the payee with a bank in the United States or by a dollar check drawn on a bank account in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% if the payee is not recognized as exempt recipients fail to provide a completed IRS Form W-9 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may be subject to an IRS penalty of up to U.S. \$50. Accordingly, please provide all appropriate certification when presenting the Debentures for payment.

Holders of the Debentures should surrender their certificates for conversion or redemption upon presentation and surrender of the Debentures to the appropriate Agents identified below, together, in the case of bearer Debentures, with all coupons appearing thereon, after the Redemption Date. Drexel Burnham Lambert Incorporated and Alex. Brown & Sons, Incorporated have agreed, subject to certain conditions, to acquire from Kinder-Care all of the shares of Kinder-Care Common Stock as would have been delivered upon conversion of those Debentures which are either (i) surrendered for redemption or (ii) not duly surrendered for redemption or conversion at the close of business on the Redemption Date.

Conversion Agents

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80 Broad Street, 21st Fl.
New York, New York 10004
Attn: Debt Securities Processing Dept.

Bank of America International S.A.
35 Boulevard Royal
P.O. Box 435
L-2014 Luxembourg

Paying Agents

BankAmerica Trust Company of New York
80 Broad Street, 21st Fl.
New York, New York 10004
Attn: Debt Securities Processing Dept.
(For Registered Debentures Only)

Bank of America International S.A.
35 Boulevard Royal
P.O. Box 435
L-2014 Luxembourg

Bank of America NT & SA
Maine Landing 46
P.O. Box 11243
D-6000 Frankfurt am Main 1

Bank of America NT & SA
Boulevard de la Woluwe 2
P.O. Box 1-2
B-1150 Brussels

Kuwait Investment Company (S.A.K.)
P.O. Box 1005 Safat, Kuwait

Bank of America NT & SA
Schwarzwald 15
P.O. Box 5230
8002 Zurich

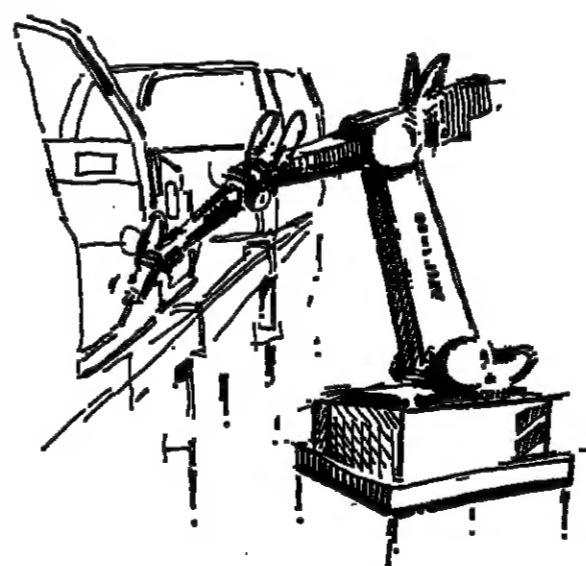
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75782 Paris

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July 14, 1987



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WORLD TRADE NEWS

Bob King reports that exporters' dire warnings of collapse have been exaggerated

Taiwan industry rises above strong dollar

TAIWAN'S export-orientated industries have been complaining for months that the steady appreciation of the Taiwan dollar would soon force most of them to shut their doors.

Only nine months ago, local papers reported that at NT\$34 to US\$1, nearly 60 per cent of Taiwan's major exporters would go out of business. More drastic disruptions were predicted should the NT\$ rise beyond 32 to one.

"I personally feel that beyond 33 to one it's going to be difficult for the footwear industry to survive," Mr John Hao, a major shoe exporter and a director of the Taiwan Footwear Association, predicted two months ago.

At the time, leading exporters in other industries were saying much the same thing, although their projections of the crisis point varied.

Now, almost 18 months after the currency rise began, the NT\$ stands at nearly 31 to one, but most factories are still running, despite some shifting of orders to less costly areas such as Thailand and China, and no one seems to know when local manufacturers will reach the real danger point in terms of exchange losses.

So it seems that earlier dire warnings of collapse by exporters were greatly exaggerated and that manufacturers' costing flexibility and profit margins were far greater than expected—which knowledgeable

The Taiwan government said yesterday it had approved \$632m in foreign investment in the first six months of 1987, up 153 per cent from the same period last year.

The US led the way with \$203m in investment, more than four times more than last year's \$49m, the Investment Commission said.

Japan followed with \$175m, up 65 per cent. Investments from Europe totalled \$83m, a 193 per cent increase.

Investments from Hong Kong, which have increased steadily because of concern over Communist China's scheduled takeover of the British territory in 1997, were up more than threefold to \$77.4m.

economists have long maintained despite protests from businessmen. "There's a lot of fat in the economic system that we can afford to cut out without disturbing the system itself," says Mr Charles Wu, a researcher at the economics institute of the prestigious Academia Sinica.

Mr Wu adds that the Taiwan dollar's rise will, in the long run, prove positive because it will drive marginal producers of various products out of the low and add into upgraded goods—a direction in which the Government has been urging

business to move for years without much success.

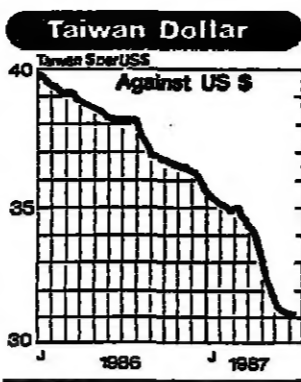
In fact, there are suggestions that the Government has gone along with pressure for appreciation because it believes that industry, which for years has ridden comfortably along on sales of inexpensive garments, shoes and assorted widgets, requires forcing rather than persuasion before it will give up its traditional ways.

"The Government is not spoiling the baby anymore," says one industry analyst. "It's given up persuading industries to upgrade and it's ready to let companies collapse that fail to go along with the programme."

In fact rumours have been circulating that the Government intends to allow the Taiwan dollar to rise above 30 to one—a level that most observers agree would cause serious trouble even to efficient manufacturers.

Economists say privately, however, that the Government is prepared to allow the currency to stabilise somewhere between 30 to 31 to one. At that level, they say, inefficient and marginal producers will have to improve their operations and their products or go out of business while companies that go with the flow will be relatively unaffected.

While most dire predictions from industry have remained largely unfulfilled, the appreciation has already had some impact.



For instance, exporters have begun shifting their focus away from the US, which traditionally has bought about half of Taiwan's exports, and toward other areas such as Europe where currencies are stronger.

That shift shows up in the export figures: sales to Europe were up by 80 per cent in 1986 and they increased at an annualised rate of 73 per cent during the first four months of this year.

But while exporters may be looking to other markets buyers, especially those from the US, have begun looking for other sources.

Sources in the footwear industry—the world's largest in terms of the number of shoes exported and Taiwan's third largest foreign exchange earner

—report an increased shift of orders to such countries as Thailand and China where costs are lower and exchange rates more agreeable.

Some Taiwanese companies have even quietly set up manufacturing operations in Guangdong Province, importing made-in-Taiwan components and taking advantage of China's lower labour costs—despite strict prohibitions on such activities by the Taiwan Government.

Sources in other industries tell of similar shifts to less developed countries as the Taiwan dollar rises. Mr Bill Whitburn, a long-time Taiwan resident and a major exporter of garments, says that hedging against future exchange rates by manufacturers on quotations has made them no longer competitive. As a result buyers have started going elsewhere.

No one knows just how high the Taiwan dollar will go or how quickly Taiwanese companies will adjust to the new situation. With liberalisations such as the lifting of controls on foreign exchange movements, the radical lowering of tariffs and the encouragement of private Taiwanese investment abroad, it is clear that the economy and, by extension, industry are in transition.

From an economist's point of view this amounts to very healthy activity. But where it leaves the exporters, even at 31 to one, is still anyone's guess.

Tokyo tries to defuse tension over Toshiba

JAPAN'S Trade Minister will fly to Washington tomorrow in an effort to ease tension over the illegal sale of sensitive technology to the Soviet Union by a subsidiary of Toshiba, a ministry official said yesterday, AP reports from Tokyo.

The official said it had not been decided whether Mr Hajime Tanuma will meet with US Congressmen and Mr Malcolm Baldridge, the US Commerce Secretary. The official spoke on condition of anonymity.

Mr Sugichiro Watari, former president of Toshiba, is believed to have stepped down as president of the Japan Electronic Industry Development Association. However the association denied the report by Kyodo news agency.

Mr Watari and Mr Shoichi, former chairman, resigned from Toshiba on July 1, accepting responsibility for the sale of Toshiba Machine of computerised milling machines capable of manufacturing ultra-quiet submarine propellers.

The noiseless propeller blades are specially contoured to make less reverberation in the water. US officials have maintained the sales dealt a severe blow to the security of the western alliance, and the US Senate voted to ban the imports of Toshiba products for two to five years.

UK group to send first Argentine trade mission since 1982

BY PETER MONTAGNON, WORLD TRADE EDITOR

A GROUP of British businessmen is to visit Argentina this week on what is effectively the first organised trade mission by British exporters since the Falklands crisis of 1982.

The mission is an entirely private initiative and has not benefited from any UK government assistance, but it is understood that the Department of Trade and Industry has welcomed the initiative. It is making to try and revive the flagging trade flow between the two countries.

led by Mr Paul Eadie of the Manchester-based Eadie Brothers textiles concern, it includes representatives from 14 companies who are sending an expedition to Chile.

Among the companies represented are Barclays Bank and Wedgwood, the porcelain and crystal concern.

It underlines the concern felt by many British companies that they may face a permanent loss of market share in Argentina after five years of import restrictions since the Falklands war.

Officially, the UK has no exports to Argentina, but only £10.1m last year compared with over £100m in 1981.

While Argentina's exports to the UK have begun to recover, the British Embassy in Buenos Aires says that the 1986-87 British exports remain hampered by Argentina's refusal to grant import licences for UK goods. Most trade has to pass through third countries.

Though there is no sign of a normalisation of commercial relations in the short term, the UK Government is believed to

hope that the visit by this week's mission, which will not see any government officials, will revive pressure locally in Buenos Aires for a more normal pattern of trade to be established in what was once one of the most important British markets in Latin America.

British trade officials say that a policy of concentrating on exports of essential goods for which buyers pay such as organic chemicals, instrumentation equipment and generating sets has led to a marginal improvement of Britain's share in 1986, reports to the region. This is now creeping up towards 3 per cent from a low point of 2.5 per cent in 1983.

Nonetheless, Department of Trade and Industry officials said that the economic difficulty is obtaining Export Credits Guarantee Department cover in some countries. UK companies have been too willing to write Latin America off.

Despite British economic difficulties, however, the UK-owned oil and gas concern, has a year-long programme of \$2.5bn a year and similar business opportunities are available from other large concerns such as Manco's Pampa oil company and the state-owned Brazilian mining firm CVRD.

Coca-Cola to set up plant in the Gulf

THE US soft drinks giant Coca-Cola plans to return to the lucrative Gulf market after 30 years on the Arab boycott list. The company was put on the list in 1967 because it had a franchise in Israel.

Authorities in the United Arab Emirates (UAE) and Oman are understood to have approved the sale of Coca-Cola and construction of a licensed bottling plant at Al Ain, an oasis city on their border 160 km east of Abu Dhabi.

Coca-Cola's arch rival Pepsi Co, not on the boycott list, has enjoyed virtually unchallenged dominance of the five billion bottle a year market in the Gulf.

No date has been given for the start of construction of the plant but sales of imported Coca-Cola could begin in the two countries as early as September.

In the UAE, import, sale and manufacture of Coca-Cola will be handled by a joint venture consisting of Abu Dhabi's Al Hila group, which includes rumoured local investors, and multinational interests.

Asea links up with two Norway groups

ASEA, the Swedish electrical engineering group, has signed an agreement to co-operate with two Norwegian concerns in order to strengthen its hand in bidding for future power projects in Europe, report Sara Webb from Stockholm and Karen Fosell from Oslo.

Asea plans to co-operate with Kvaerner, the leading Norwegian engineering group, and Elektrisk Bureau, the electronics and telecommunications company in which it has a 20 per cent stake. The companies will co-operate in bidding for contracts for a gas fired power plant at Kaarstoe where there is a gas treatment facility already in operation.

The bidding documents for the project are due to be released in August. Under the agreement, Asea hopes to supply steam turbines, while Kvaerner hopes to deliver the gas turbines and Elektrisk Bureau aims to supply electrical equipment and installations.

Kvaerner said that if it wins the contract, about 70 per cent of it will go to Norwegian industry.

McDONNELL DOUGLAS TALKS

Key role for tireless promoter of Airbus

BY DAVID MARSH IN BONN

ONE important reason for the relaunching of talks on airliner-building collaboration between the Airbus Industrie and McDonnell Douglas lies in the unlikely figure of Mr Franz Josef Strauss.

The veteran West German conservative politician is Prime Minister of Bavaria and chairman of the Christian Social Union (CSU), one of the partners in the Bonn coalition government. But some people think the job he likes best is his post as chairman of the supervisory board of the four-nation Airbus consortium.

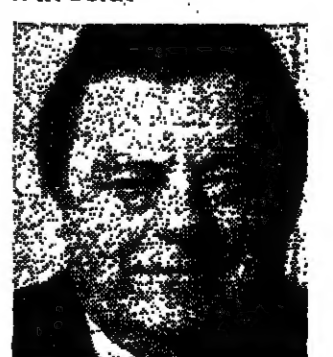
"It is an old man's hobby," says one Bonn official close to Mr Gerhard Stoltenberg, the West German Finance Minister, who has in the past few months fought—and lost—against Mr Strauss over the issue of German government subsidies for the Airbus venture.

Mr Strauss is a tireless promoter for the Airbus venture in the US. He picked up some of the credit for the consortium's success last year in clinching a landmark deal with Northwest Airlines, involving sales of up to 100 150-seater A-320 aircraft, it could be worth as much as \$3.2bn.

Mr Strauss has therefore been keen to support any action by European governments to defuse the threat of an airliner trade war with the Americans.

One way to do this would be to decide joint production between McDonnell-Douglas and Airbus. This has become an increasingly important goal over the past few months for the Bonn Economics Ministry, which is in charge of West German participation in the Airbus programme.

European government officials and executives from the two groups agree that cooperation to avoid ruinous competition in the fight against Boeing, the world's dominant airliner



Strauss—strong efforts in the US

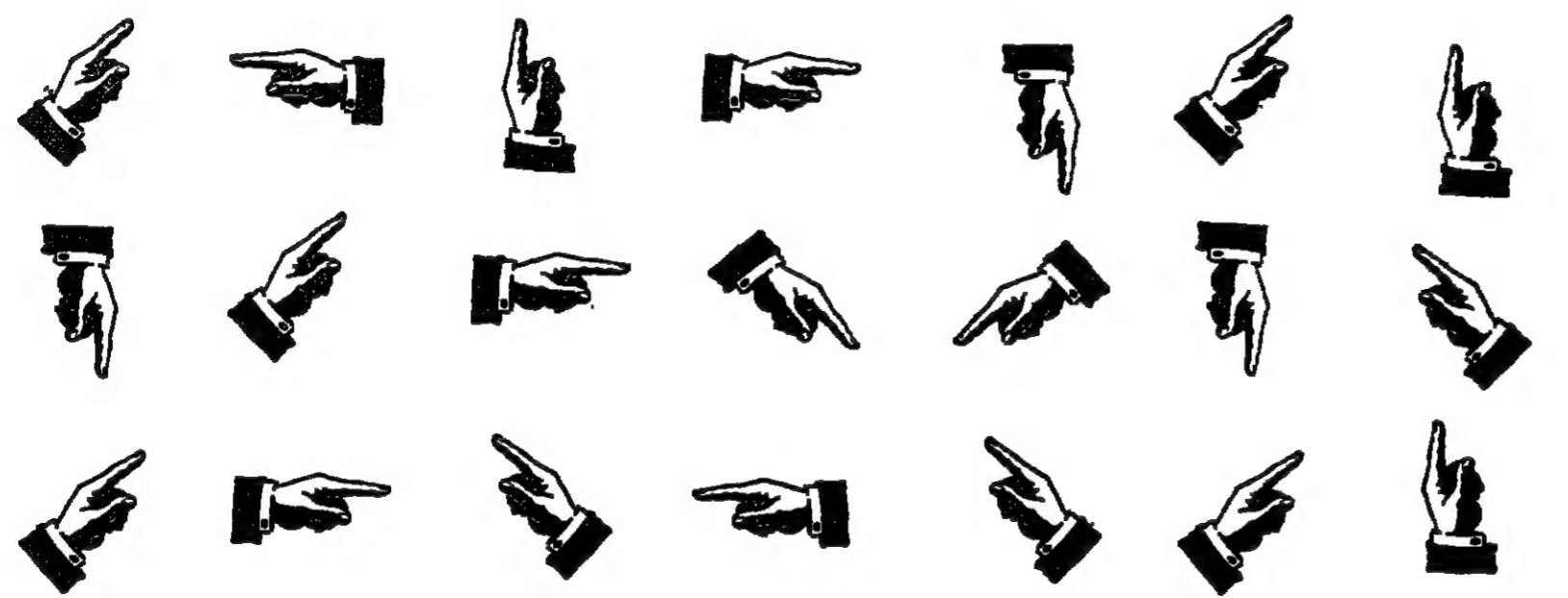
manufacturer, makes sense. "The problem is putting the idea into practice," remarks one senior Airbus executive.

Airbus and McDonnell-Douglas have discussed a number of ideas since restarting talks after the Paris air show last month. These include links on the best-selling A320 programme—taking in the possibility of cooperation on a future stretched version of the aircraft of 160 to 180 seats.

One of the "thousand possibilities," according to one executive, is that McDonnell-Douglas renounce its plan to build the MD-11, a competitor to the A340—something the US company is highly unlikely to do.

Mr Strauss's agreement with the West German Economics Ministry over the need for links with McDonnell-Douglas underlines how the Bavarian politician is playing a higher profile role in Bonn over Airbus questions.

In March he succeeded in steering through the appointment of a protégé as the Economics Ministry state secretary in charge of aerospace affairs. He is Mr Erich Riedl, a long-time CSU deputy, who can be relied upon faithfully to represent Mr Strauss's point of view.



NEGOTIATING THE LABYRINTH

Monitor '87

Geo-economics: striking the right balance between market conquest and group consensus

XIII international conference organised by the Pio Manzù Research Centre, APT, CNR, ENI, EFM, ENEA, ITALTRADE

Novelli Theatre
Rimini Italy
11/12/13 October 1987

The conference is held under the high patronage of the President of the Italian Republic

Foreword

Time and room for manoeuvre are precious resources which condition the tactical and strategic behaviour of the new-style political and economic ruling class.

The hallmark of sovereignty is the power to decide who one's real adversary is. Political hegemony and/or business leadership stem from that particular political and/or management mix which is capable of taking swift tactical decisions (in a maze of trial and error) as to who one's strategic competitors are and how to make inroads into ever wider and more diversified markets.

In a constantly changing world, strategic planning is not enough: the danger is that, with a blinkered approach, it may become an end in itself. Strategic planners to-day must possess unclouded tactical vision so that they know exactly where they are going, even when operating in a highly complex, dynamically competitive context. Clear-sighted tactical management in situations fraught with menacing pitfalls is the distinctive trait of a particular style of doing business—a flair for combining economic planning and strategic decision-taking in an integrated approach which gears geo-economic policies to the effective action capability of the individual industrial concern.

Programme

11

Sunday 11 October

10.00 a.m.

Official inauguration

The ceremony will be broadcast live on Channel 2 of the Rai-Radiotelevisione Italiana, from 10.00 a.m. until 1.00 p.m., and transmitted world wide via satellite.

Opening addresses

Mayor of Rimini
Honorary President Pio Manzù Centre
President Confindustria, Rome
European Community
United Nations
Italian Government

Award of the medals of the President of the Italian Republic to: Giuseppe de Rita, Lu Dong, Wessly Leonelli, Edward N. Luttwak, Ahmed Kheir Nasreddin, Neri Neri, Kenichi Ohmura, Saburo Okita, Alvin E. Heidt Toffler

Gold medal of the Pio Manzù Centre to: Nide Iotti, "Woman of Peace 1987"

Sunday 11 October

11.00 a.m.

Official opening of the proceedings

Opening Speech
Gianfranco Miglio Lecturer in Political Sciences, Catholic University of Milan

11.45 a.m.

Geopolitics and the world market

Speakers
Giulio Andreotti Minister of Foreign Affairs and European Community Policies, Rome; President, Pio Manzù Centre

Gianni De Michelis Co-President, Pio Manzù Centre

Edward N. Luttwak Consultant, State Department, USA

Sunday 11 October

3.30 p.m.

Debate

Chairman
Umberto Agnelli President, Italian Committee for East-West Scientific and Technical Cooperation, Rome

Moderator
Michela Tito Director, Il Mondo, Rome

Panel Members

Viktor Anisimov Director, "Pravda", Moscow
Luigi Calligaris, Expert in Strategic Studies, Rome

Luigi Coccolini, President, Banco di Napoli, Rome
Viktor Demetiev President, Gosbank, Moscow

Lu Dong Chairman, State Economic Commission of China
Frank J. Fahrenkopf Chairman, Republican National Committee, Washington D.C.

Gary Hart US Senator, Washington D.C.
Abel Matutes, Commissioner for Credit, Investments and Financial Engineering, Policy for small and medium enterprises, European Community, Brussels

Hans-Joachim Lauth Secretary for Industry and Trade of Hong Kong
Saburo Okita, Director, Institute for Domestic and International Policy Studies, Tokyo

Franco Reviglio President, ENI, Rome
Pier Luigi Romita Vice President, Pio Manzù Centre

Stefano Silvestri Vice President, Institute for International Affairs, Rome
Gianni Zandano President, Istituto Bancario San Paolo, Turin

Summing-up
Gianfranco Miglio Lecturer in Political Sciences, Catholic University of Milan

12

Monday 12 October

9.00 a.m. - 12.30 p.m.

3.30 p.m. - 5.00 p.m.

Strategic management: the new expertise of the innovative enterprise

Chairman
Luigi Rossi Bernardi President, CNR, Rome

Moderator
Mario Piani Journalist, La Repubblica, Rome

Speakers
Cesare Annibaldi Head, External Relations Department, FIAT, Turin
Kenichi Ohmura Reader in strategic thought, Director, McKinsey & Co. Inc., Tokyo

Alvin Toffler Author, New York

Debate

Panel Members
Innocenzo Cipolletta, Director, Research Centre, Confindustria, Rome
Umberto Colombo President, ENEA, Rome

Marco Goffredo Goffini Director Industrial Relations, API-Association of small and medium Enterprises, Milan
Daniela Mosca Chief Personnel Officer, Ing. C. Olivetti & C. spa, Ivrea

Antonio Lorenzoni Neol President, Enichem, Rome
Tetsunosuke Okaizumi President, Italtelco Japan Ltd, Tokyo

Rinaldo Ossola Chairman, Italo-Soviet Chamber of Commerce, Rome
Lanfranco Turci President, Lega Nazionale delle Cooperative e Mutue - (Italian Cooperative Societies League), Rome

Viktor Udalov Director, Institute of Economic and Financial Sciences, Genoa
Rolando Valliani President, EFM, Rome

Monday 12 October
5.00 p.m.

Fortezza Marcossanti (13th century castle)
Poggio Berni, Forlì

"Globalisation and limited sovereignty"

Brainstorming 1 (by invitation only)

Edward N. Luttwak Consultant, US State Department

Gianfranco Miglio Lecturer in Political Sciences, Catholic University of Milan

"Getting inside overseas markets"

Brainstorming 2 (by invitation only)

Furio Colombo President, FIAT USA Inc., New York

Kenichi Ohmura Reader in strategic thought, Director, McKinsey & Co. Inc., Tokyo

13

Tuesday 13 October

9.00 a.m. - 12.30 p.m.

3.30 p.m. - 5.00 p.m.

Networks and trade: from joint ventures to strategic alliances

Chairman

Yusuf Ali Mustafa Minister of the Economy and Foreign Trade of Egypt, Cairo

Moderator
Gianni Locatelli Editor-in-Chief, Il Sole/24 Ore, Milan

Speakers
Makoto Kuroda Deputy Minister, MITI - Ministry of Industry and International Trade of Japan, Tokyo
Wassily Leontief Nobel Prize Winner in "Economics" (1973), USA

Elisario Pini Director General, Strategy and Development, Ing. C. Olivetti & C. spa, Ivrea

Debate

Panel members
Ami Aviv President, Koortrade Ltd, Tel Aviv
Domènec Canadell Managing Director, Argo spa, Rome

Marcello Inghilterra President, ICE, Rome
Yuri Ivanov Chairman, Bank for Foreign Trade of USSR, Moscow

Gaetano Liccardo Professor, Financial Sciences, University of Naples
Cristiano Raminella President and Managing Director, Kuwait Petroleum Italia (CPI)

Conclusion
Gianfranco Miglio Lecturer in Political Sciences, Catholic University of Milan

Tuesday 13 October
5.00 p.m.

Grand Hotel, Rimini

"Le syndrome finlandais"

Brainstorming 3 (by invitation only)

Yuri Ivanov Chairman, Bank for Foreign Trade of USSR, Moscow

Gianfranco Miglio Lecturer in Political Sciences, Catholic University of Milan

Pio Manzù Research Centre

Headquarters & General Secretariat

47040 Verucchio Italy

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Why a management consultant spent a year at sea.

It was not a job for the squeamish. Before Price Waterhouse consultants could be selected they had to spend time strapped into a 'helicopter' submerged under water. If they released their seat belts early they were failed.

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MANAGEMENT: Small business

IF GOOD intentions could create business empires then worker co-operatives would be playing a major role in the British economy. The reality is that their economic significance is negligible and that while their numbers have increased sharply in recent years they remain a small, esoteric corner of the growing small business sector.

The number of worker co-ops has risen from about 50 in the mid-1970s to 1,500, and their total membership to about 20,000. Despite this jump in numbers, worker co-ops are still estimated to account for only 275m — equivalent to one medium-sized, conventionally-structured company.

This is in stark contrast with several other European countries. The example of Mondragon, the large Basque co-operative in northern Spain, continues to excite much interest, but has yet to spawn any sizeable copies in Britain. In France and Italy large-scale co-operatives have built up strong positions in the construction and building materials industries.

Co-ops in these three countries enjoy better access to finance, a recognised status in the bidding for public contracts, and strong and efficient central organisations to provide training and advice. The co-operative movement frequently enjoys support from parties at both ends of the political spectrum.

But in Britain the co-operative support organisation is small and under-funded. Politically, they have been dogged by the open-toed sandal image of many of their supporters, and by unhappy memories of three ill-conceived "rescue" co-ops: The Scottish Daily News, Kirby Manufacturing & Engineering and Meriden — backed by Tony Benn, the then Industry Secretary, in the 1970s.

But behind the scenes the two main co-operative support organisations — the Co-operative Development Agency (CDA) and the Industrial Common Ownership Movement (ICOM) — have been attempting to solve some of their practical problems.

"When I set up a co-op in 1977 we had great difficulty finding a solicitor to draw up the rules," recalls Charles Edwards, a member of the Co-operative Advisory Group (itself a co-op), which provides management consultancy advice to co-ops and conventional companies. "Now there are model rules which you can use."

Most recently, matters have improved to such an extent that Conservative politicians have espoused the cause. Earlier this year the government launched a £200,000 programme to promote



Grant Blakemore of Blackwall Products: a thoroughly professional approach

Co-ops: on a high

Charles Batchelor on the movement's increased commercial realism

Co-ops in Middlesbrough, in one of its inner-city task force areas. The aim is to create enough co-ops of a significant size so that the idea becomes self-generating, as it has in Mondragon.

Co-ops differ from conventional businesses in the fact that the workers own and control the company's assets. Each member has one vote, however large his holding, takes part in the decision-making and shares in the company's profits.

In the past, this democratic ideal has made life difficult for many British co-ops because they have been torn between the opposing poles of commitment and commerce.

"The co-op has to be highly competitive in the outside market yet work by consensus inside to be true to its social aims," says George Jones, chief executive of the Co-operative Development Agency. "And consensus and competition don't go together."

Many of the recent wave of co-operatives have shown much greater commercial realism. "When people first came to us the most important thing to them was the co-operative ideal," says Mark Wright, a co-operative adviser employed by the borough of Lewisham, in

south-east London. "Many came from a community background and were against the idea of profit. That has changed and people are now coming with business ideas, with the co-op idea only secondary."

Blackwall Products, a co-op producing compost makers and other garden accessories, set out to make recycled products — its compost bins start life as containers for importing fruit pulp from the Continent.

These ideals are combined with a commercial approach which is thoroughly professional. It expects to sell £300,000 worth of garden products to the likes of Tesco, Sainsbury's Homebase and mail order concerns such as Littlewoods and Freemans this year for a profit of £50,000 to £60,000.

"We aim to launch two new products a year," explains Grant Blakemore, the sales director. "We want a balance between making profits and employing people. Very few of the businesses we deal with know we are co-operative."

The most important thing is to be successful rather than keep on about being co-operative. And while business policies at Blackwall Products are still decided at the weekly meeting

of its six members, Blakemore estimates that with salaries for all full members set at £10,000 a year — reducible if profits drop — many of them are earning more than they would in a comparable, conventional small business.

Finance is a major problem for any small business — co-op or otherwise — but the co-operative structure does have its particular difficulties. The traditional co-op form does not allow outside investors so its members must provide all the finance themselves.

As a means of attracting outside capital while retaining the co-operative principle, equity participation co-ops were launched in the early 1980s. But so far only three or four co-ops have adopted this format.

The Bristol Community Garden Centre has been one of the pioneers, though Steve Shaw, a founder member, admits it was a "very contentious" move to issue shares.

The garden centre, which was set up to raise funds for an inner city farm in Bristol, issued £25,000 worth of shares to the friends, family and acquaintances of its nine members. A further £5,000 worth of shares was taken up by the co-op members themselves.

The shares held by co-op members have 10 times the voting power of the publicly-held shares, so the members retain control. If the business fails to pay dividends however, shareholders are increased to give them the same voting rights.

From turnover of £180,000 in its first year, the centre expects to rise to £250,000 in the current year, a level at which it could break even, says Shaw.

Work on increasing the financial muscle of co-ops is also going on at Industrial Common Ownership Finance, part of the ICOM organisation. It is attempting to raise £500,000 by public subscription to fund co-ops and is also considering how to structure a venture capital-style fund to raise £1m.

Next to finance, co-ops face particularly difficult problems of management. "There was a feeling that management was a feature of conventional business that co-ops could do without," says Charles Edwards.

Yet paradoxically co-ops can require even greater management skills than a conventional business, where the owner and founder is the natural head of the hierarchy. "You need even greater management strengths in a co-op," warns George Jones of the CDA.

This exposure becomes particularly crucial if the co-op starts to grow. Not only do the outside pressures increase in intensity, the democratic structure on which they are based comes into question. Some solve this by splitting off activities into new co-ops. Others attempt to convert a system of direct democracy into one of representative democracy.

This is a question currently causing headaches for Pease Advisory Service (PAS), a London-based charity and co-operative. With 113 members and a further 60 or so non-member workers, it is finding its system of monthly and quarterly management meetings too cumbersome.

"When we set ourselves up we didn't work out very clear lines of accountability, so the boundaries are unclear," says Jeanne Saint, PAS's co-ordinator. "Now we need to know who can make decisions to avoid hold-ups."

On this, as well as the financial front, co-ops clearly need to adapt if they are to survive and grow.

Brookside House, 21 Penton Street, London SW14 4DR, tel. 01-839 2987; ICOM, 7 & 8 The Corn Exchange, Leeds LS1 7BP, tel. 0532 461737; Co-operative Advisory Group, Antonia House, 262 Holloway Road, London N7 6NE, tel. 01-609 7017.

The importance of planning

Charles Batchelor reviews a book on strategies for growth

FOR MANY small businesses the problems of day-to-day survival mean that time spent on planning for the future is regarded as an unaffordable luxury. Yet this first-hand approach usually means that opportunities are missed, staff motivation and morale are low and business suffers.

By contrast, the successful larger companies do plan systematically and develop their business in line with longer-term goals. Going for Growth sets out to explain how the small businessman should go about long-term planning and looks in more detail at strategies for generic growth, acquisitions and diversification.

"From the largest international conglomerate down to the smallest one-man business, establishing targets and planning for their achievement is essential to success," author Michael Lawson notes.

He warns, however, that business owners should not neglect shorter-term objectives just because they have developed a five-year plan. The strategic plan should set out the overall direction while more limited objectives should be set for the different aspects

of the business, such as marketing, production and finance, over a shorter time.

If you have never planned ahead properly in the past, doing it for the first time may not be easy, Lawson warns. Not only does it demand time which could be spent on apparently more pressing problems, it calls for objectivity concerning the strengths and weaknesses of the business.

It may involve expense if outside consultants have to be called upon to help develop the strategy and it will also require careful monitoring over a long period if its results are to be judged properly.

Rule One is to get started. It is always difficult to know quite where to begin and other more solvable problems always present themselves. But no matter what point you are at in your financial year or what other distractions there are, an immediate start should be made.

Key staff should be involved in the process. Not only will the owner of the business lack objectivity about the problems it faces, every effort must be made to involve other senior employees. If they are not brought in at the planning

stage they may feel no responsibility for achieving the goals. They may also argue, rightly, that unrealistic aims have been set.

If no one else is available in the small company then it may be appropriate to use a management consultant as a sounding board. Do not delegate completely any areas of responsibility to him, however, since this could result in some areas of the plan being unfamiliar once the consultant has gone. And choose carefully since anyone can call himself a consultant. Ask for a recommendation from your bank manager or accountant and ask for references from someone in a similar line of business.

Michael Lawson, himself a management consultant, has written a jargon-free, if fairly bloodless, account of how small companies should plan for growth. Professional confidentiality no doubt prevents him from giving some colourful examples of companies which have suffered from failing to plan or benefited from his advice.

Going for Growth, A Guide to Corporate Strategy, Kogan Page, 176 pages, £24.95.

Venturing out to fill a local gap

BEKLEY, on the south-east fringe of London, has taken the unusual step of launching a venture capital fund to provide risk capital to local businesses. The aim is to fill the equity gap left by the established venture capital funds and the banks.

Bekley Venture Capital, which is the brainchild of the borough council's economic development unit, plans to offer amounts of between £5,000 and £25,000 to local firms. It has started out with a promise of £300,000 from the council, to be provided in three slices of £100,000 each.

Bekley, like many other councils, provides advice, grants and loans to new companies, but says it had become evident that there was a serious shortage of risk capital. The five-man board of directors of BEVC will meet monthly and promises a preliminary decision to applicants within four to five weeks.

While Bekley Venture Capital will restrict its equity involvement in any single company to a maximum of £25,000 — though loans could also be made — the council's equity fund for small firms continues right up to the £250,000 level.

This is because traditional venture capital funds and monitoring too many small investments unduly expensive and time-consuming. The gap is increasingly being filled by the "marriage bureau" run by many enterprise agencies, which bring together private investors and businesses.

The clearing banks usually steer clear of equity investments in small businesses but are willing to provide overdrafts or loan finance. This can mean small firms carry an unrealistic level of borrowings.

The move by Bekley represents a small but significant step to redress the balance and put local business on a firmer financial footing.

The Secretary, Bekley Venture Capital, Nexus House, Sidcup, Kent DA14 5DA.

In brief...

BSC (INDUSTRY), the steel corporation's agency for re-vitalising areas which it has closed down this year (see page 5), has produced a directory of the 300 small businesses operating from its eight managed workshops in England, Scotland and Wales. The 60-page directory contains company names, addresses and telephone numbers and is intended as a source of information for potential suppliers and customers. It is being sent to companies in the eight areas and to some 100 other companies throughout the UK to encourage them to support small firms in their purchasing policies.

Contact: John Northcott, BSC (Industry), Canterbury House, 100 Cannon Street, London EC4A 3DF. Tel: 01-606 3311.

BSC (Industry) is also making £20,000 available to the Prince's Youth Business Trust this year. The trust helps young people between the ages of 15 and 25 to set up their own business or develop an existing enterprise.

Business Opportunities

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UK NEWS

BT under pressure to forego price increases

BY DAVID THOMAS

BRITISH TELECOM will come under pressure to keep its prices stable for the coming year although it is entitled to increase charges for its main inland services by up to 1.36 per cent.

BT managers are considering what price changes to make. However, consumer groups are citing the company's large profits and alleged poor service in urging BT to forego any increases.

BT usually makes tariff changes in early November and last year announced proposals for the November changes in early September.

The changes are controlled by a formula of retail price index minus three. This means that the annual average price change for a "basket" of the company's main inland services must be kept to a level less than 3 percentage points below the change in the RPI.

The 4.2 per cent rise in the RPI during the year to last month, the base period used for calculating the formula, would force BT to keep next year's increases in the basket of prices to less than 1.36 per cent.

However, BT could add 0.16 per cent to that figure, because for the current year it cut its prices by slightly more than it had to under the formula and is entitled to carry the difference into the coming year.

The Telecommunications Users' Association, representing mainly business customers, said it had sought meetings with BT and with the Office of Telecommunications, the industry's regulatory body, to argue that there should be no price increases.

Ms Vivienne Peters, a director of the association, said it would be pointing to BT's large profit and allegations of poor quality of service at the meetings. BT made pre-tax profits

of £2.07bn on sales of £8.42bn in the year to the end of March.

The National Consumer Council, which recently released a survey of public opinion suggesting widespread dissatisfaction with BT service quality, said: "BT should not put up its prices until it can clearly demonstrate that the quality of the service it provides has not declined."

BT will also have to decide whether to continue with the programme of rebalancing its tariffs under which it has been bringing its charges into line with costs. This has involved increasing charges for some services, such as local calls and line rentals, but cutting them for others, such as long-distance calls.

Ottel has indicated that it believes the rebalancing of long-distance and local calls is almost complete.

Canadian group seeks stake in £3bn offices plan

By Andrew Taylor

TALKS ARE taking place between Canary Wharf Development Consortium and Olympia and York, a Canadian property and resources group, to try to rescue the troubled £3bn Canary Wharf office development planned for the Isle of Dogs in London's docklands.

Olympia and York, controlled by the Reichmann family, is seeking to take a large stake in what would be Europe's biggest commercial property development providing more than 5m sq ft of office space.

The scheme has run into difficulty following a decision by the Credit Suisse First Boston and Morgan Stanley to withdraw from the development team.

The banks are understood to have told their partners that they wished to restrict their role to financing the scheme, leaving the occupying premises.

The other members of the consortium are First Boston International, a bank, and G. Ware Travelstead, a US development company.

When the scheme was first announced it was planned that the area should rival the City in providing London's most prestigious office addresses.

The withdrawal of Credit Suisse and Morgan Stanley and delays in concluding lettings for the £3bn first phase of the development has meant that the consortium has been unable to secure the necessary agreement to allow construction to start.

Plans to extend the docklands light railway from Tower Hill to Bank station in the heart of the City depend on the Canary Wharf development going ahead.

Olympia & York, which owns a lot of property in New York, tried to join the Canary Wharf consortium previously but its plans to take a stake were rejected at the beginning of last year.

Medium-term bond futures market planned

By Alexander Nicoll

THE London International Financial Futures Exchange, which yesterday launched Japanese government bond futures, also plans to introduce a medium-term UK government bonds towards the end of the year.

Talks are also continuing with the Credit Exchange on the possible creation of a single market in London for derivative products such as futures and options following a recent merger from the Bank of England towards closer co-operation.

The Stock Exchange operates a market in traded options which is the only sector still to transact business on the exchange floor.

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Spy book contempt action delayed

BY RALPH ATKINS AND RAYMOND HUGHES

SIR PATRICK MAYHEW, the Attorney General, is laying taking court action against The Sunday Times for publishing extracts from the memoirs of Mr Peter Wright, former MI5 officer, until the Court of Appeal has ruled on a similar case involving The Independent and two other newspapers.

Papers for criminal contempt of court were lodged yesterday with the High Court but no further steps will be taken until the Master of the Rolls, Sir John Donaldson, and two other Court of Appeal judges have decided if The Independent, The Sunday Times, yesterday declined to say whether further extracts would be published now that contempt of court proceedings had started as he did not want to be seen to be laying down a challenge to the Government.

No action has been taken by the Government to stop the book being imported into the UK although it has the power under the Import of Goods (Control) Order 1954 to add it to the list of prohibited goods.

A ban could be brought into effect almost immediately if the Government decided it was necessary for national security.

In the Court of Appeal yesterday lawyers for the Attorney General, the Independent, The London Evening Standard and The Sunday Times, were called back after the judges decided they need further help on particular points.

They said that the ruling by Sir Nicholas Browne-Wilkinson, the Vice-Chancellor, appeared to indicate that the publications would not constitute contempt of court even if the newspapers

The Attorney General is, however, considering seeking an injunction to stop The Sunday Times publishing further extracts from the book this weekend.

Spycatcher is to be published in the US this week by Viking Penguin, a New York subsidiary of Pearson.

In the book Mr Wright makes a series of allegations about alleged activities by the security services including the bugging of embassies in London.

Mr Andrew Neil, editor of The Sunday Times, yesterday declined to say whether further extracts would be published now that contempt of court proceedings had started as he did not want to be seen to be laying down a challenge to the Government.

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A. H. Hermann comments on the action over the Wright memoirs Case which threatens courts' role

TO GIVE UP a project on which a lot of effort and money was already spent is one of the most difficult decisions to take. That may explain the stubbornness with which the Government persists in its attempts to silence Mr Peter Wright, the ex-MI5 man with long memory. It is almost impossible to admit that the considerable political capital already invested in this adventure has been completely wasted.

Such perseverance is understandable, but why did the Government embark on the Australian litigation in the first place? Its plea of security interests failed to convince the court and the public - the truth or otherwise of Mr Wright's suspicions that there were undiscovered spies in high places, must have been known to the KGB a long time before Mr Wright conceived them. And they have in Moscow been known to the KGB for years.

The allegations that MI5 tried to subvert Mr Harold Wilson, when Prime Minister, were bandied about in parliament in the press for years. Judging from the extract printed in the Sunday Times

the day before yesterday, Mr Wright has nothing much to add to them. Indeed, most people expected a bigger story than he has to tell.

There remains the argument that, as a matter of principle, members of the security services must be made to keep their promises not to disclose what they learn. Here the means available to the Government are pitifully inadequate - unless it prevents those in possession of secrets to leave the country and threatens them with penal sanctions.

There is not much hope that it can compel them to keep their promises. Certainly not by trying to stop publication of their memoirs, the essence of which they must have told to many on earlier occasions. A wider publicity of their indiscretions could be easier prevented by buying copyright from them or from their publishers. Members of the "firm" to tell them in their daily routines and addition to The Times cross-word puzzle.

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There is not much hope that it can compel them to keep their promises. Certainly not by trying to stop publication of their memoirs, the essence of which they must have told to many on earlier occasions. A wider publicity of their indiscretions could be easier prevented by buying copyright from them or from their publishers. Members of the "firm" to tell them in their daily routines and addition to The Times cross-word puzzle.

The allegations that MI5 tried to subvert Mr Harold Wilson, when Prime Minister, were bandied about in parliament in the press for years. Judging from the extract printed in the Sunday Times

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UK NEWS

Kinnock urges new team to prepare for 1990s

BY PETER RIDDELL, POLITICAL EDITOR

LABOURS reorganised team of economic and industrial spokesmen has been told by Mr Neil Kinnock, the Labour leader, to prepare a new strategy for the 1990s for the next general election.

This became known at Westminster last night as Mr Kinnock faced open criticism from Mr John Prescott, one of his senior colleagues, over the appointment of several centre-right figures to key posts as Labour spokesmen.

In the allocation of jobs announced yesterday Mr Roy Hattersley, the party's deputy leader, takes over responsibility for home affairs. Mr John Smith will speak on economic affairs, Mr Gerald Kaufman will handle foreign affairs and Dr John Cunningham retains the environment portfolio. All are supporters of the centre-right Solidarity Group.

Other key economic posts will go to centre-left supporters. Mr Bryan Gould, the former campaigns co-ordinator who easily topped the poll in last Wednesday's elections for party spokesmen, will take over from Mr Smith in covering trade and industry, while Mr Gordon Brown, a new Labour spokesman, will oppose the Chief Secretary to the Treasury.



Bryan Gould, covering trade and industry

Mr Smith, Mr Gould, Mr Brown and Mr Tony Blair, who is expected to become spokesman on City of London affairs, have been appointed by Mr Kinnock to work together with specific responsibility for preparing a new economic and industrial strategy for the party. They feel that the economy and privatisation was a particular area of weakness for Labour in last month's election defeat.

At a meeting of the centre-left Tribune Group last night, Mr John

Prescott, who came second in last Wednesday's elections for party office, protested at his own treatment, having been shifted sideways from employment to energy. He said, however, that while it was not the job he wanted, it was an important one and he would do it.

Mr Prescott, who has a reputation for having a short fuse, apparently said the centre-right had too many of the senior posts and the day's elections, Tribune-backed candidates won nine out of 15 places and four of the Solidarity-supported Labour spokesmen in the last parliament were defeated.

After last night's meeting, members of the Tribune Group were reluctant to discuss Mr Prescott's comments, apart from saying that he had got it off his chest.

Mr Kinnock has carefully balanced experienced centre-right figures in senior posts and younger centre-left new spokesmen in more junior, although politically sensitive, positions. For instance, Mr Jack Straw will handle education and the Government's far-reaching legislative changes this autumn. Similarly, Mr Robin Cook will deal with health and social security.

Next plans retailing experiment through Dillons newsagents

BY CLAY HARRIS

NEXT, the innovative fashion and furniture stores group, yesterday set the stage for a new experiment in retailing with the £28.5m acquisition of the Dillons Group of newsagents.

Next will use the chain, the seventh largest in Britain with less than 1 per cent of the market, to bridge the gap between its retail stores and its growing mail-order business, centred on Grattan, which Next bought last year for £300m.

The 270 shops in the West Midlands and south-east of England will become local delivery and collection points, both for Grattan and for the catalogue operation which

Next plans to launch under its own name in January.

Next emphasised yesterday that it envisaged few changes in the operation of the newsagents themselves, which would continue to be run by the same management.

The acquisition followed market research which uncovered demand for mail-order deliveries at customers' convenience. The plan develops Grattan's existing use of "super agents" to co-ordinate local deliveries.

Grattan is Britain's fourth largest mail-order company with about 10 per cent of a market worth £3.3bn last year. In the five months to January 31, it accounted for 44 per cent

of Next's operating profit of £32.7m - a larger contribution than the group's retail outlets.

Next bought the newsagents, which trade under the Dillons, Malloes and Argus names, from Yattendon Investment Trust, the Tiffin family holding company which owns the Birmingham Post and Mail group. Next approached Yattendon when it learned that the newsagents might be up for sale.

Dillons achieved net profits of £3.1m on sales of £80.1m in the year to June 30, 1986. It had net assets at that date of about £20m.

Next shares rose 3p yesterday to close at 357p.
Lex, Page 26; Analysis, Page 36

Sharp jump in input prices poses threat of rising inflation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturers saw a sharp jump in their fuel and raw material costs last month as international commodity prices strengthened.

Most of the increase was absorbed by industry rather than passed on to customers, but the figures underline the deteriorating international environment faced by the Government in its efforts to curb inflation.

The Department of Trade and Industry said that its index of manufacturers' input costs climbed by 0.8 per cent between May and June, largely due to more expensive imported materials. The rise pushed up the year-on-year change to 4 per cent, compared to 1.3 per cent in May.

The seasonally-adjusted index of costs, introduced by the department last year, saw an even sharper jump of 1.9 per cent, taking the annual rate to 4.1 per cent.

The size of the latest increase may be erratic - the monthly figures have shown sharp variations this year - but the underlying trend is firmly upwards.

At this time last year input prices were falling at an annual rate of up to 10 per cent in response to the collapse of the oil price and to weak international prices for other commodities.

Since then the oil price has recouped about half of its losses, while prices for non-oil commodities have begun to level off and in some cases to recover.

An analysis published yesterday by Greenwell Montagu, the City of London securities house, points to recent strong rises in the prices of metals, cotton and rubber. That trend appears to be confirmed by yesterday's figures which show that manufacturers of metal products, of textiles, clothing and shoes, and of rubber and plastic products, were among those facing the sharpest rise in input costs.

For the time being manufacturing companies, whose labour costs have been held down by large productivity gains, appear to be absorbing the increase. The Department's index of output prices rose by only 0.1 per cent from 3.5 per cent in May.

The risk, however, is that if input prices continue to rise at their recent pace the increases will be passed on to factory gate prices, putting direct pressure on retail price inflation.

That danger is likely to reinforce the Government's cautious stance on interest rates and could persuade it to seek to keep sterling's value near the top of its recent trading range in order to curb rises in import prices.

Mercantile House says merger talks are off

BY NICK BUNKER

MERCANTILE HOUSE, the British money broking and securities group, abruptly announced yesterday the collapse of merger talks that had been expected to lead to a bid for the company.

The group refused to comment about confident stock market speculation that the bidder was British & Commonwealth, the diversified transport and financial services group.

Mercantile's terse one-paragraph statement said that discussions following an approach made to the group had been terminated.

Neither Mr John Barkshire, Mercantile's chairman, nor Mr John Gurn, chairman of B&C, have confirmed that B&C was the bidder. Both men were said to be unavailable for comment yesterday, however, a fact which added weight to analysts' firm belief that they had broken off merger talks at an advanced stage over the weekend.

Mercantile's shares closed down 54p at 436p last night after rising from 400p before last Wednesday's announcement that an approach had been received. B&C closed at 339p, up 15p.
Lex, Page 26

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* Own designed drill head range (Hosan 350 and 600)
* Blue Chip customers, home and abroad
* In-house electrical design and build facility
* Skilled workforce, £1 million turnover, machinery and
fixes
* Freehold property, 11,700 square feet
The Joint Administrative Receivers offer the assets of
Hodgson and Sanders Limited for sale as a going concern.
For further details please contact:
Peter Terry or Philip Ramsbottom,
Peat Marwick McLintock

KPMG Peat Marwick McLintock

77th Lane, Manchester M2 6DS
Telephone: (061) 832 4221. Telex: 668265

SUCCESSFUL
DIVERSIFIED
ENGINEERING COMPANY

Specialising in plant design, manu-
facture and installation in South
West.
Write in first instance to:
Box H228, Financial Times
10 Cannon Street, London EC4P 4BY

Due to retirement
VALUABLE ASSETS
AND LEASE OF THEATRICAL
SUPPLY COMPANY
FOR SALE

Write Box H2301, Financial Times
10 Cannon Street, London EC4P 4BY

COMPUTER SYSTEMS SPECIALIST

The Joint Administrators offer for sale the business
and assets of a company operating from London
specialising in the supply of software for electronic
payment and allied systems.

Principal features comprise:
* Customers include building societies and finance
houses
* Turnover approximately £1.1m per annum
* Specialised packages

For further information please contact:

Bill Ratford, Joint Administrator

KPMG Peat Marwick McLintock
1 Puddle Dock, Blackfriars, London EC4V 3PD
Telephone: (01) 236 8000. Telex: 8811541
Fax: (01) 236 1790

SWITZERLAND

U.K. publicly-quoted company in financial services
field wishes to purchase a Swiss-based trust
management company experience in offshore
company formation and administration. Invest-
ment management expertise desirable but not
essential. To arrange an exploratory discussion,
either in Geneva or Zurich, please write in the
strictest confidence to:

Mr. ANDREAS BUEGE
ARTHUR ANDERSEN AG
Postfach
CH-8027 ZÜRICH

ROOFING

Manufacturer of unique non-combustible insulated metal
roofing system for sale.

* Sales this year doubled to £2.4m
* Future specifications currently exceed £5m
* System patented UK, Europe and U.S.A.
* Specified by top UK companies and government
agencies
* Management and staff wish to remain

Reason for sale is the requirement of a larger organisation's
resources to penetrate European and U.S. markets and
develop patent rights in potentially large markets.

Principals only write in strictest confidence to:

Box H2312, Financial Times
10 Cannon Street, London EC4P 4BY

Buying
or selling a
business?
We'll
cover your
risk

When you sell a business or go public you may
have to give warranties and indemnities which
could render you liable for damages as well as
legal expenses, even if you are not at fault.
This liability can be covered under our
Warranty and Indemnity Insurance Policy.
For more information contact:

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& Indemnity
Insurance**
DIRECTORS
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LIMITED
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Surrey SM1 4DU.
Tel: 01-661 1491 Telex: 931673 EPI SL G
Regional offices: London, Birmingham, Halifax, Glasgow

For Sale
Private
Property Company

PRICE
£950,000
Subject to Contract

Assets include
shop properties in
Kensington High Street
& Golders Green Road

For further details contact:

**Brian Champion
Long & Partners**
01-434 4551
3 Cork Street, London W1K 1HA

BUSINESS FOR SALE
SPORTS AND LEISURE
CONTRACTING AND
MANUFACTURING BUSINESS
FOR SALE

Business has considerable track record of achievement
on a world wide basis.

For further details please write to Box H2281
Financial Times, 10 Cannon Street, London EC4P 4BY

WELL ESTABLISHED AND
PROFITABLE BUILDERS' MERCHANTS
FOR SALE

Due to proposed early retirement of owner this expanding and well
managed business, with a turnover in excess of £2m, is for sale.
The Company operates from a valuable freehold site, near to M25
and within close proximity to other excellent communication links.
A substantial offer for the equity in this Private Company will be
required and seriously interested principals and companies should
write, in confidence, for further particulars.

Write Box H2273, Financial Times
10 Cannon Street, London EC4P 4BY

ISLE OF MAN

Trust and Company
Administration Company

Long-established, substantial international client
base with strong professional connections.
Annual fee income in excess of £1m. Pre-tax profits
over £250,000.

Interested principals please write to:
The Chairman, Box H2256, Financial Times
10 Cannon Street, London EC4P 4BY

Commercial tyre retreading company

based in Scotland with established customers and excellent
growth potential. Existing turnover of £750,000. Forecast
for 1988 £1m.
Business consists of specialised plant and machinery manu-
facturing an extremely competitive and unique product with
the backing of an enthusiastic management team.

Principals write, in total confidence, to:
Box H2308, Financial Times
10 Cannon Street, London EC4P 4BY

BUSINESS OPPORTUNITIES
ADVERTISING
is also published on
SATURDAY

For further information, contact:
LESLIE GILBERT
on 01-248 8000 Ext. 3526

Businesses for Sale

DIE AND TOOL MANUFACTURER FOR SALE

Due to premature retirement of the owner for health reasons
West Midlands / M6 freehold premises - 14 skilled permanent staff - very profitable concern with current 20 week order book & increasing £400,000 turnover.

Appraisal & Valuation Consultants Ltd.
Refuge House, 9/10 River Front, Enfield, Middlesex, EN1 3ST
Tel: 01-367 5676. Telex: 296380. Facsimile: 01-367 7394

PLASTIC/RUBBER PROCESSING MACHINERY

Interesting opportunity, due to company restructure, for manufacturers/importers of plastic/rubber processing machinery with own assembly facilities to require well established range of UK manufactured equipment. T/O £1m.

Principals write to Box H2316, Financial Times
10 Cannon Street, London EC4A 4BY

FOR SALE US GIFT CARD PRODUCER

Designer and producer of Gift Cards based in the United States is to be sold by its Parent. Direct sales in the US and world wide sales through licensees. A profitable company. For sale at a price in the region of £12.5 million. Qualified corporate purchasers only need apply for further details. Please write to Box H2383, Financial Times
10 Cannon Street, London EC4A 4BY

FOR SALE a Sales Support Company

Operating throughout the United Kingdom with impressive client portfolio mainly in the food industry. Turnover over £2 million per annum. Recent audited accounts available on request.

Write Box H2286, Financial Times
10 Cannon Street, London EC4A 4BY

LONG ESTABLISHED RETAIL HARDWARE BUSINESS FOR SALE

Situated in a growth area of the South Coast. Turnover in excess of £500K and profitable. Freehold shop and store of approx 10,000 sq ft, fixtures and fittings. Stock at valuation.

Apply to:
J. D. Holloway, Grant Thornton, Enterprise House
Isambard Brunel Road, Portsmouth - Tel: 0705 753176 - Telex: 889112

SERVICE COMPANY PROFESSIONAL AND TECHNICAL SECTOR OF THE MARKET

Trading successfully throughout the UK with substantial blue chip client base, current annual turnover in excess of £5 million, would consider offers from substantial interested parties.

Write Box H2317, Financial Times
10 Cannon Street, London EC4A 4BY

NORTH WEST TOY WHOLESALE

FOR SALE - OF INTEREST TO PLC
* T/O 1986 £2.5m * Profit £371K
For further details contact:
CROCKLEY SECURITIES PLC
14 Lloyd St, Manchester M2 6ND - Tel: 061-834 8308 - Fax: 061-832 4028

NORTH WEST PRESSURE VESSEL MANUFACTURER

Manufacturing pressure vessels, columns and heat exchangers in carbon, stainless steel and alloy steels for the nuclear and petrochemical industries. The company are holders of the ASME 'U' code stamp, operating to the highest quality standards, including BS5750 and BS5882, and have developed specialised manufacturing processes to support these codes.

Further information is available on request from Box H2279
Financial Times, 10 Cannon Street, London EC4A 4BY

FOR SALE LIGHT ENGINEERING BUSINESS

Staffordshire
Freehold Factory
Fully-equipped machine shop
Considerable scope for expansion of business
For further details apply
Ref: RKH

EDWARDS & SYMONDS & PARTNERS

National House, 64 Bridge Street
Manchester M3 3BN
TEL: 061-832 8454

Tour Operator Profitable Specialist FOR SALE

Specialist Winter Ski and Summer Lakes and Mountains
Operator For Sale
Turnover £2.5m and 16,000
carrying
OFFERS IN EXCESS OF
£75,000
Reply Box H2286, Financial Times
10 Cannon Street, London EC4A 4BY

FASHION ACCESSORY AND SMALL LEATHER GOODS COMPANY

Excellent Brand Name and concept, substantial orders in hand. Owners will consider any propositions including outright sale.
Replies from principals only
to Box H2282,
Financial Times
10 Cannon Street,
London EC4A 4BY

Security Company STATIC GUARDS

North West Based
T/O £475,000
Good Profits
Offers Invited
Write Box H2295
Financial Times
10 Cannon Street
London EC4A 4BY

LIMITED COMPANIES COMPANY FORMATION AND SEARCHES!

FAST SERVICE!
CREDIT CARDS!
01-429 7028

Clean Limited Company WITH £250,000 ASSETS

Totally consumer stocks, would like to sell in exchange for Quality Quoted stock to maximise Capital Gains Situation. Please reply to:
Write Box H2311, Financial Times
10 Cannon Street, London EC4A 4BY

WELL ESTABLISHED CONTRACTING BUSINESS FOR SALE

FOUR CONTRACTING COMPANIES
1. Civil Groundworks
2. Earthmoving and Landscaping
3. Plant Hire and Hireage
4. Plant Holding Company
Excellent management team in place, joint turnover for 1987 expected to exceed £1m with profits in excess of £170,000. Excellent positive cashflow. Good clients. Freehold 2-acre building yard and modern office. Plus 6-acre private residence, both in prime location with development potential. Located NW London (inside M25).
Write Box H2286, Financial Times
10 Cannon Street, London EC4A 4BY

HENLEY ON THAMES REPUTED ANTIQUE BUSINESS FOR SALE

Important corner site with extensive main street frontage and extensive sales area, including living accommodation, 2000 sq ft plus. Possibility of profit rental from second self contained shop. Lease 13 years, renewable with 5 year notice.
REALISTIC OFFERS INVITED
Write Box H2284, Financial Times
10 Cannon Street, London EC4A 4BY

LOSS MAKING EDUCATIONAL TOY MANUFACTURING BUSINESS FOR SALE

Business has considerable market and product development with patented product.
For further details
Please write Box H2280
Financial Times
10 Cannon Street
London EC4A 4BY

FOR SALE Precision Engineering Co.

LOCATION: WEST MIDLANDS
TURNOVER: £3m APPROX
Gear Cutting Expertise
First Class Tool Room facilities
Leased premises on site
area of 1.5 acres
Excellent customer base with forward order book and growth potential
Principals only please
Write Box H2274, Financial Times
10 Cannon St, London EC4A 4BY

BUSINESS AND ASSETS of solvent and insolvent companies for sale. Business and Assets (BICA). Tel: 01-437 3035.

SPECIALIST ROAD HAULAGE COMPANY

23 vehicles (27 authorised)
Yorkshire based Powder Tankers and Animal Feed Blenders
Turnover £50/60K
Good margins, scope for expansion
Directions wish to return
Property, rate of sale, with or without managerial residence
Write Box H2285, Financial Times
10 Cannon St, London EC4A 4BY

TIMBER COMPANY FOR SALE

Well established and profitable business based in Republic of Ireland, with annual turnover of IR£2.5m
Interested parties reply to:
Box H2200, Financial Times
10 Cannon St, London EC4A 4BY

Tired of running someone else's business?

We'll help you run your own.
Dial 100 and ask for Freeform Management Buy-Outs until 9 p.m.
A service from Spicard & Pugh

IMPORT BUSINESS FOR SALE

Please write Box H2289
Financial Times
10 Cannon Street
London EC4A 4BY

FURNITURE FITTINGS

Very long established Distribution business with loyal customer base. High margins and huge scope for expansion. Currently pre-tax profits available to management of £700K per annum. OFFERS IN EXCESS OF £250,000 SPOUGHT.
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PLASTIC INJECTION Moulding COMPANY

In Home Counties for sale
Trade moulders
Turnover in excess of £1m
Full order book
Telephone 01-349 0261

3 COASTAL FREEHOLD SITES FOR DEVELOPMENT

Ideal for sheltered accommodation, flat development or timeshares.
Write Box H2307, Financial Times
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FOR SALE THE BRAND SECRET OF THE MEN

MAENNERGEHEIM'S SECRETS MASCHULE SECRET MASCHULE
Registered in Switzerland and internationally class 3-8-21. Cosmetics - Institut de Beauté, 88, F. Lyon, Ch 1203 GENEVE.

FOR SALE SOUTH COAST Boat Haulage Co.

For details write:
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10 Cannon Street, London EC4A 4BY

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Long Established MARKETING AND ADVERTISING BUSINESS

SOUTH COAST LOCATION
Enquiries in the first instance to:
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Chartered Accountants
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Branksome, Poole,
Dorset BH14 9AP
Tel: 0202 768243

ATTENTION ALL LEASING COMPANIES

We are active purchasers of leasing companies. If you are considering a sale of your leasing subsidiary please contact us in strict confidence.
Principals only to Box H2276
Financial Times
10 Cannon St, London EC4A 4BY

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Commercial and Development Finance
All types of funding arranged.
Contact:
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FOR SALE SIX SMOOKER CLUBS

Unique opportunity to acquire a group of six smoker clubs in London and the Home Counties. Offers are invited in the region of £2m subject to contract.
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10,000 sq ft freehold factory Greater London (East)
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For details write:
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Businesses Wanted

COMMERCIAL VEHICLE TRUCK RENTAL COMPANY REQUIRED

We wish to acquire a medium-sized commercial vehicle truck rental company. We shall consider potential performance, in addition to current financial position, as we have great experience in company turn-around.
Please reply to Box F2315, Financial Times
10 Cannon Street, London EC4A 4BY
with an outline of your company and its current activities

ELECTRICAL/ELECTRONIC BUSINESSES

Release Cash and Retain Equity!
Overseas group seeks controlling interest manufacturing companies up to £1 million turnover. Existing Management can be retained.
Principals only in confidence to:
Managing Director, Box H2276, Financial Times
10 Cannon Street, London EC4A 4BY

WANTED TO ACQUIRE

DISTRIBUTOR OF SPECIALITY PLASTIC BUILDING PRODUCTS For Construction and Allied Industries
Company should be primarily involved in wholesaling plastic building products but may be supplying plastic sheet/rods, laminates etc to primary manufacturers. It should be located in the Midlands or North West/North England and have 21m min turnover.
Replies in confidence to:
Box H2334, Financial Times, 10 Cannon Street, London EC4A 4BY

PROPERTY INVESTMENT OR DEVELOPMENT COMPANY

required by
SUBSTANTIAL QUOTED COMPANY
Purchased for shares or cash
Reply Box H2348, Financial Times
10 Cannon Street, London EC4A 4BY

Business Wanted STAINLESS STEEL STOCKHOLDING ALUMINIUM STOCKHOLDING

or combination, possibly with ancillary processing
Locations: North, Central and South-East England
Turnover: £2-10 million
If you are engaged in the above activities and would be interested in joining a successful growing private company
Please reply in strict confidence to Box H2313, Financial Times
10 Cannon Street, London EC4A 4BY

D.I.Y. COMPANIES WANTED

A leading manufacturer in the D.I.Y. market wishes to expand its product range by acquisition. This could be of interest to PLCs wishing to direct of a subsidiary company or private limited companies who would like to join and operate within a new group.
Please send details outlining main market activities and company structure to:
Box H2310, Financial Times
10 Cannon Street, London EC4A 4BY

STAINLESS STEEL STOCKHOLDING/MANUFACTURING/PROCESSING BUSINESS REQUIRED

Substantial private company wishes to acquire for cash companies with the above activities. Committed management team essential.
Please reply to Box H2351, Financial Times
10 Cannon Street, London EC4A 4BY

Plc Engineering Seeks Acquisitions

A progressive plc is seeking to expand its business base through acquisition in the manufacturing sector. We are looking for companies in the small to medium size range with pre-tax profits of up to £1m. Consideration for the purchase of any acquisition can be based on cash or equity or a suitable mix.
Write Box H2271, Financial Times, 10 Cannon St, London EC4A 4BY

LISTED COMPANY WISHES TO ACQUIRE

established but undercapitalised autonomous companies within the leisure and electronics sectors
Principals only respond to:
Anthony Silver, Corporate Counselling Limited
29/30 Fitzroy Square, London W1P 6HN
Please quote ref: AJS/BJ/101MS

PLC WANTED

Effective control required either by injection of new capital and/or purchase of existing shares.
All replies treated in strict confidence.
Write Box H2286, Financial Times
10 Cannon Street, London EC4A 4BY

PRIVATE INVESTOR LOOKING TO ACQUIRE MAJORITY HOLDING IN PLC ANY FIELD CONSIDERED

Must be capitalised at £2 million or under
We will inject property developments and will look to build company by acquisitions and organic growth
Write Box H2292, Financial Times
10 Cannon Street, London EC4A 4BY

PAPER MANUFACTURING INDUSTRIES

Overseas Group with large funds at their disposal are interested in purchasing outright:
(a) A dormant paper manufacturing industry
(b) A running paper manufacturing industry
Proposals for joint venture or partnership also considered
Reply in confidence to Box H2203, Financial Times
10 Cannon Street, London EC4A 4BY

FUNERAL DIRECTORS

Any area or size considered
Contact:
M. L. Maden FCA
Nash Road
42 Upper Berkeley Street
London W1H 6AB
or telephone 01-423 7293

RETAIL BUSINESS

UP TO £1,000,000
available for acquisition of whole or majority holding in established growing retail business. Non high tech and Goods Gross Margins essential.
Write Box H2283, Financial Times
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MEDICAL/HEALTH CARE

We are a Medical/Health Care Company with backing from a major financial institution. We seek to expand by acquisition/merger, if you are interested in selling all or part of your business or if you have proven medical products to market.
Please write to Box H2288
Financial Times
10 Cannon St, London EC4A 4BY

CONTRACT HIRE/VEHICLE LEASING

Major public company with interests in Motor Distribution seeks to acquire established contract hire/vehicle leasing companies.
All replies will be treated in total confidence.
Reply Box H2292, Financial Times
10 Cannon St, London EC4A 4BY

NATIONAL STORETITING GROUP

seeks to complement existing operations by Acquisition/Merger of Companies within the Construction/Manufacturing Industry allied sub-contractors.
Please reply to Box H2276
Financial Times
10 Cannon St, London EC4A 4BY

Private Company requires PLC

with Full Stock Exchange Quote
Write Box H2000
Financial Times
10 Cannon Street,
London EC4A 4BY

WANTED SOLVENT COMMERCIAL PROPERTY COMPANY

with unrealised assets of £1 million plus
Write Box H2286, Financial Times
10 Cannon St, London EC4A 4BY

EXHIBITIONS WANTED

FINANCIAL TIMES

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Telegrams: Finantime, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday July 14 1987

Shadows old and new

BRITAIN'S NEW shadow Cabinet, announced yesterday, will almost certainly not lead the Labour Party into the next general election in the early 1990s. Too many questions remain unanswered for that. There has still not really been an inquest into why Labour lost the last election, nor any full inquiry into why the party has now lost three general elections in a row. Whether there is a place any more for an alternative government of the left or centre-left is a matter that will have to be addressed at some stage.

Still, unlike the SDP-Liberal Alliance which has reacted to the election results by carrying the war into its own camp, Mr. Neil Kinnock, the Labour leader, is at least going through the motions of business as usual. He emerged from the election with his own stature enhanced and his leadership unchallenged. Elections to the shadow Cabinet by the members of the parliamentary party were due by October. They took place last week and Mr. Kinnock yesterday distributed the major shadow portfolios.

King Hassan's running sore

A STATE visit represents the most solemn and cordial way that two countries can affirm their friendship without making any specific commitments.

In the case of King Hassan of Morocco, whose state visit to Britain starts today, there is no very close traditional or commercial tie to celebrate. The visit may perhaps have the effect of stimulating greater British involvement in the Moroccan economy, if it helps to convince British companies that the formidable Moroccan debt burden can continue to be managed, or juggled, as it has been for the last few years; and King Hassan probably hopes it will win him some British support in his attempts to obtain special treatment for Moroccan exports in the European Community.

But he must know that that is not very likely. The main value of the visit, in his eyes, will be that it broadens the range of his international contacts and strengthens his position in the world stage. Britain is not as important to him as France or the US, but being feted in London may give him that much more leverage in Paris and Washington, as well as nearer home.

Direct confrontation
The British Government has presumably decided that he is worth cultivating to that extent. He is pro-Western, as he is fond of reminding Westerners who meet him, although there is no easily identifiable Soviet threat in his part of the world—and if there is an Islamic threat it is unlikely that stressing his ties with the West is the best way to contain it. Perhaps more to the point, he is a moderate on the Arab-Israeli conflict and has worked hard to encourage other moderates on both sides and bring them together.

He is also to all appearances very firmly in control of his country, after 26 years on the throne and has now succeeded in extending that control to virtually the whole of the western Sahara.

That last achievement, however, is somewhat double-edged. It has meant the achievement of military conquest, and is not yet complete. The war is still going on, and the very

serious. It is also astute to give the shadow education portfolio to Mr. Jack Straw. Education will play a large part in the new parliamentary session and Mr. Straw, with his experience of local government, should be capable of standing up to Mr. Kenneth Baker, the Education Secretary.

Other appointments attracted some publicity before they were announced: the promotion of Mr. Bryan Gould to shadow Trade and Industry and of Mr. John Smith to shadow the Treasury. Mr. Gould was one of the stars of Labour's election campaign. Yet Mr. Hattersley, the outgoing Treasury shadow, seemed to think that it would be going too far, too soon to put him on the tail of Chancellor Lawson.

Personalities may have had something to do with it; the interesting question remains, however, of which department Labour thinks is more important: the Treasury or Trade and Industry. That is one of the party's unresolved internal debates, on the outcome of which much will depend. The old interventionist Labour Party always wanted to set up a ministry to challenge the Treasury; the Department of Economic Affairs in the 1960s was an example. More recently, that putative role has gone to the DTI. Will a modern Labour Party accept Treasury dominance and try to reform from within? Nobody yet knows.

Limited material
A lot else is unknown, too. The party's left wing is not a shadow Cabinet. Will some of its new parliamentary members such as Mr. David Blunkett, eventually and a place? Indeed, the question of the left's open or whether a party that has spent much of the last two decades riven by faction can come together to form a unified, civilised left capable of winning a general election. Not least, there is the future of the trade unions and their relationships with the party. The TUC is conducting its own inquiry into these issues.

Some of the answers will become clearer as the party conference in the autumn, and there is time in hand. So far Mr. Kinnock has not panicked; he is doing the best he can with limited materials.

fact that it is now being conducted on the edges of the conquered territory increases the risk of direct confrontation with the neighbouring states, namely Algeria and Mauritania.

Diplomatic finesse
The Moroccan would argue that the very notion of a Sahrawi people is an article and that many of the "refugees" living in the Polisario-controlled camps on the Algerian frontier come from other parts of the Sahara (as is certainly the case with some of the Polisario leaders) from Morocco itself.

It is indeed difficult to establish who was born where in an area of almost entirely nomadic population. But there is a sense in which all nations are artificial, especially in their early days; and it remains true that in 1975 a UN mission to the territory then still under Spanish rule found an overwhelming majority in favour of independence rather than union with Morocco. Nothing has happened since to legitimise the Moroccan annexation, and King Hassan's offer of a referendum does not constitute a solution unless the two sides can agree on the modalities of holding it.

The conflict will have to be ended by negotiation, and President Chadli Bendjedid of Algeria has repeatedly made it clear that he will not negotiate on Polisario's behalf. Sometime later King Hassan will have to negotiate with them directly, following up his success in war with corresponding diplomatic finesse. That is what has been urged on him repeatedly by the UN and the OAU. The British Government should add its friendly voice to theirs.

Roderick Oram examines the reasons for some erratic performances on Wall Street

Too far, too fast

WALL STREET securities firms are running ahead of themselves, judging by reports of heavy trading losses, costly expansion of empires and introduction of ever more rarified and risky products.

While trading losses are as natural to investment dealers as crop failures to farmers, the scale of Wall Street's wave of bad news indicates that the problems go beyond poor bets on the direction of markets.

In recent months, Merrill Lynch has suffered losses of \$275m (£171m) and First Boston an estimated \$100m when new and inadequately understood types of securities behaved unexpectedly in volatile markets.

In Merrill Lynch's case most of the damage was done by unauthorised trades executed by a 36-year-old employee. More red ink is expected as other firms report results for the three months just ended. Many have been hurt not only by this spring's rout of the US bond market, but also by the strains of intense competition at home and abroad and the huge costs of staking claims in London and Tokyo.

This plot on the performance of US securities houses in the fifth year of bull markets has intensified a long-running debate. Has the 1980s' surge in volume, risk, complexity and internationalisation of business overwhelmed management ability? "We've all been guilty of dealing in abnormal risks but sometimes we've only seen them after the fact," says one senior Wall Street executive leading his firm's study of management controls, now a common exercise in the financial fraternity.

Most dramatically, the leading officers of stockbroker Kidder Peabody were ousted and the board reconstituted in May by General Electric, which acquired the year ago GE, disturbed by the way Kidder had failed to control abuses such as insider trading, brought in a tool and die man to instill industrial-style discipline.

Wall Streeters balk at the notion that their mercurial business can be bound by the straitjacket of budgets and corporate plans. But they know they must search for a better handle on their business.

The problems stem from years of helter-skelter expansion of staff numbers and products. A 20 per cent annual increase in workforces through the 1980s has been the norm. Salomon Brothers' payroll grew 40 per cent last year as it geared up large operations in London and Tokyo and expanded in new domestic areas such as real estate finance.

But the premature resignation of Werner Breitschwerdt, Daimler's chief executive, and his likely replacement by Edvard Reuter, his deputy, begs the question why Deutsche Bank decided to change course in mid-stream.

That it had a hand in the changes is undeniable; the bank owns 28 per cent of Daimler, and Alfred Herrhausen, its co-speaker, is Daimler's supervisory board chairman. Judging by the rows of limousines speeding out of Deutsche Bank's underground car park at its Frankfurt headquarters every night, it even accounts for a decent slice of the auto manufacturer's production.

Nevertheless, Breitschwerdt was Deutsche's own choice back in 1983 on the sudden death of Gerhard Prinz, Daimler's previous chief executive. Some say he whispered the word to go to Breitschwerdt, a dying gasp. Others say that Reuter was deliberately passed over by the conservative bank because of his active support—he is a card carrying member—for the opposition Social Democratic Party (SPD).

Indeed, so bright was Reuter's star in the SPD's firmament that he was a possible candidate for finance or economics minister had Helmut Schmidt managed to stay in office in 1982.

Expediency now seems to have got the better of politics, and whatever his merits as an engineer, Breitschwerdt has

been encouraged to step aside for his former rival. Reuter is widely regarded as one of the architects behind Daimler's rapid growth through acquisitions in the past couple of years. But the most far-sighted German boardroom watchers are already putting their money on Helmut Werner, aged 50, the present head of tyre maker Continental Gummi, to keep Daimler rolling in the longer term.

Absent landlord
Also in Frankfurt, the big brass nameplate for Joachim Schmidt and Partner, the foreign exchange broker whom everyone wants to interview in connection with VW's DM473m foreign exchange scandal, is still proudly displayed in the lobby of a modern office block.

The dozen or so employees moved out of Schmidt's slick offices three months ago when business dried up after the affair broke. But the sign remains, together with a handwritten note saying the business is closed.

But pressures upon Frankfurt commercial spaces are heavy and the premises may not remain vacant much longer.

A contract should be signed for new occupants this week. It remains unclear who will sign for Schmidt. The many parties who want to interview him have small hopes that he will turn up in person to conclude an agreement with a new subtenant.

Euro strike
Not infrequently Brussels is the scene of angry farm demonstrations—but it is six years

ment consultant, "markets and products evolve too quickly to put effective controls around them."

Traders steer clear of losses by such traditional methods as debt dealing and hedging. They are also turning to more sophisticated aids, such as computer-based statistical models devised by Wall Street's newest gurus: mathematicians and quantitative analysts, known as rocket scientists or quants.

On most occasions, these precautions work well. But none are infallible. Skillful trading has its limits, especially given the heightened volatility of markets and the bigger inventories firms carry.

Treasury bonds, for example, lost some 10 per cent of their value in the first two weeks of April, a decline which might have taken a year in times past.

The rapid growth of some firms has meant their seasoned traders have moved into managerial roles, leaving the desks staffed with people who have never known a down market. Hedges are based largely on traditional relationships between securities. Thus, a dramatic shift in markets or in one side of a hedge undermines them. "Just when you need them, they tend to collapse," says one senior trader.

Similarly, mathematical models are built on historical data. "Models are wonderful for predicting the past," says a First Boston executive uncom-

fortable about his firm's recent losses, incurred within its own trading rules.

Wall Street is acutely aware of these problems and knows it ignores them at its peril. The search for greater control has taken varying forms, but most firms have given prominence to capital, credit and risk committees. Typically, they allocate capital to the most deserving lines of business, analyse credit risk, weigh up assets and liabilities and evaluate the risks of individual deals, types of business or markets.

Often these committees have sprouted within the management hierarchies which have evolved since the simpler times of the 1970s, when decisions were taken more informally,

THE TOP 101	
1 Salomon Inc	\$3.462m
2 Merrill Lynch	\$2.9m
3 Goldman, Sachs	\$1.8m
4 Shearson, Loebman	\$1.4m
5 Drexel, Burnham, Lambert	\$1.3m
6 Prudential-Bache	\$1.0m
7 First Boston	\$0.96m
8 Bear Stearns	\$0.94m
9 Dean Witter	\$0.7m
10 E. F. Hutton	\$0.7m

US SECURITIES FIRMS

THE ROOM			
Return on equity*	Total assets**	Employees***	
1986 15.5%	\$23.8m	138,400	
1985 15.9%	\$21.3m	128,300	
1984 7.3%	\$26.7m	121,700	
1983 19.9%	\$14.2m	117,800	
1982 21.9%	\$10.7m	102,700	
1981 13.4%	\$5.1m	99,900	
1980 26.8%	\$6.7m	90,000	
1979 15.8%	\$5.0m	76,400	
1978 16.9%	\$4.4m	73,700	
1977 6.3%	\$3.9m	70,200	

*After-tax.
**New York Stock Exchange members.
***Total employed by New York security, commodities, brokerage houses and related services.
Source: Securities Industry Association, NYSE, Bureau of Labor Statistics.

Information flows, too, are a problem. Computer systems are inadequate in some firms, according to a leading management consultant who is helping to improve them. He knows, for example, of one major firm which is spending \$8m over two years on an overhaul to account for huge yen denominated sums.

At the moment the machines are lopping off a few digits to the left.

More crucially, firms "have to turn data into information," says Mr. William Mayer, a First Boston managing director, puts it. "We can see what the numbers say, but we are trying to work out what they mean."

Management talent may turn out to be one of Wall Street's most scarce resources. Up to now firms have tended to promote the best salesmen and traders, or most forceful individuals, to management roles. To meet the demand for more sophisticated leaders, firms are trying to grow their own talent.

"We now recognise the need for some people to be only managers," says Mr. Massey. How do Salomon's die-hard traders react to the call? "They see it as necessary but less fun."

Firms are sceptical about bringing people in from outside, because of the fluidity and unpredictability of the securities industry. "Tissue rejection" has killed many attempts to graft on outside talent, says one management consultant. In addition, to the changes at Kidder Peabody, people are watching Merrill Lynch, which recently hired Mr. Courtney Jones, from General Motors, and Mr. Eugene Rotberg, from the World Bank, for senior roles in finance and risk management.

The goal is to devise management systems which ensure rapid detection of anomalies in the markets; which ones to exploit for profit and which to rectify to minimise losses. "We're all trying to go in that direction to be more stable, but it will take us a while to get there," says a top executive.

In the meantime, firms hope present controls are sufficient to avoid serious mishaps. But the odds on someone suffering a huge setback, particularly in the international arena, will escalate alarmingly if the five-year-old bull market turns.

One thing will never change: however sophisticated the tools of analysis and control, final decisions will come down to human judgment. Late last year, for example, First Boston faced a critical decision in its efforts to help Campeau, a Canadian real estate developer, win control of Allied Stores, a major US retailer. Should First Boston commit \$865m of its money as bridge finance? After all the number crunching, Mr. Peter Buchanan, president, Mr. Francis Jenkins, a managing director, and Mr. Mayer—three of the four members of the executive committee—plugged into a conference call and spent three hours asking each other in countless different ways: "How does it feel to you?"

Finally they agreed to proceed. By the time the debt was refinanced in the junk bond market five months later, First Boston had booked more than \$100m in fees for the deal.

Although such an approach still works well for his strategic moves, Wall Street has a long way to go to develop management systems which ensure adequate control over the myriad decisions made daily by people further down the line.

Daimler Benz's new driver

Yesterday's musical chairs at the top of Daimler-Benz, West Germany's largest company, have given the conspiracy theorists plenty of food for thought.

Those who see the hand of Deutsche Bank, the country's biggest financial institution, behind every twist and turn in German economic life must be having a field day. And some chief executives will be feeling less than comfortable in their leather recliners as they wonder whether a new day has dawned in German boardroom politics.

But the premature resignation of Werner Breitschwerdt, Daimler's chief executive, and his likely replacement by Edvard Reuter, his deputy, begs the question why Deutsche Bank decided to change course in mid-stream.

That it had a hand in the changes is undeniable; the bank owns 28 per cent of Daimler, and Alfred Herrhausen, its co-speaker, is Daimler's supervisory board chairman. Judging by the rows of limousines speeding out of Deutsche Bank's underground car park at its Frankfurt headquarters every night, it even accounts for a decent slice of the auto manufacturer's production.

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Men and Matters

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Euro strike

Not infrequently Brussels is the scene of angry farm demonstrations—but it is six years

Appropriately enough Cosgrove is by training a sanitary engineer.

Insiders at the bank say the memorandum is extraordinarily convincing, right down to the careful forgery of Cosgrove's signature at the bottom.

It tells staff that entrances to the rest rooms are being equipped with computer-linked voice print recognition systems that will record their visits. Once they have used up their monthly allocation of 20 visits the door will not open to their command until the first of the following month.

Staff are requested to make two voice imprints for the system: "one normal, one under stress."

A bank spokesman says the notice was "refreshingly humorous" compared with some of the more vicious documents that have been circulated recently. But it was definitely a hoax, he added without a trace of stress in his voice imprint.

Tennis talk

In spite of the failure of either Boris Becker or Steffi Graf to win a Wimbledon crown this year, West Germany is tennis-mad at the present time.

One Bonn defence ministry official, referring to the discussions under way on improving military links with France, draws on sports commentators' language to describe how they cannot, in any way, substitute for West Germany's defence relationship with the United States.

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Observer

Letters to the Editor

Community charge: ability to pay or benefit principle

From Mr W. Weislog.

Sir, Rosalind Levacic (July 8) extols the merits of the so-called benefit principle of taxation (taxation according to the benefit received from public goods) and takes Michael Frowse (July 3) to task for upholding the ability-to-pay principle. It is true that most textbooks on public finance contain also a section on the benefit principle and on the underlying theory, but to call it a fundamental principle of taxation is, in my view, an exaggeration. To my knowledge, the benefit principle has never been put into universal practice, and most teachers of market-economics and their local authorities appear to adhere to the ability-to-pay principle.

The reason for the universal adherence to the ability-to-pay principle is plain: the benefit principle is practically quite inapplicable. Most benefits which government and local governments usually provide cannot, as a rule, be measured and apportioned to the individual taxpayer. Take defence or the police, for example. The benefit to individuals is simply unascertainable. After all, the taxpayer is not buying apples or oranges—nor a bus ticket or a packet of corn flakes for that matter—from the state or from the local authority, but a common benefit, as distinct from an individual one. Once in case of the latter can the benefit principle be applied. Hence, nearly all modern writers on public finance agree that the ability-to-pay principle is today the only satisfactory one for apportioning the tax burden.

The above would appear to hold good for any common benefit, whether provided by central or by local government. To try and make a distinction between the two seems to me wholly artificial.

Comments concerning Contibel

From Sir Philip de Zuresta.

Sir—I should be grateful if you would allow me to reply to some of the comments made by Les Williams concerning the bids for Contibel.

The board of Contibel's original recommendation of 275p per share was made because Transcabel and GBL, which already owned more than 90 per cent of the company, informed the board at that time that they were not prepared to make an offer at a higher price. The board judged that in the absence of an offer, the shares were likely to fall in the market—a view shared by many investment analysts at the time. Since the "original" offer "the" bid value of Contibel had then, the corporate tax position had altered and shareholders had not responded favourably to the original offer. The board was still of the view that a general offer was in the interests of all the shareholders, partly because, through its holdings, the Belgian group could have prevented any substantial development of Contibel, for example through acquisition or disposal.

Increase in MBA student fees

From the President, London Business School Students' Association.

Sir—The debate surrounding the recent 124 per cent increase in tuition fees for the MBA course at London Business School has so far ignored the effect on students attending the part-time programme.

Typically, young managers on the programme have their fees paid by their employers over the three years of the course. From a survey that this association has conducted 60 per cent of students claim that their sponsoring companies would be unwilling to pay the increased fees. Indeed, 62 per cent have said that they would have gone elsewhere in the UK to study had the new fee structure been in place when they were accepted by LBS.

Education UK-US style

From Mr B. Hopkinson.

Sir—I attempt (July 9) to link US and UK education systems indicates he did not learn much during his stay in the US. The US school system has always been internally deficient. Its objective has been and still is, to take the children of immigrants and turn them into well-balanced, English speaking, US citizens. The UK system, at its best, has been and still is superior to the US, as regards educating its alumni. Witness the ease by which British educated scientists and engineers, including myself, can carve out careers in the US. With the experience of educating four children in the US and UK I would recommend that the UK distance itself from American methods and standards, in the attempt to catch up with the Japanese. Bringing back the old grammar school may be all that is required.

Channel tunnel cannot restore prosperity to UK ports

From the Director, British Ports Association.

Sir—I am pleased to see in your article "Clyde port for Channel tunnel would not pay" (July 6) that the idea of the Channel tunnel bringing great opportunities for UK west coast ports to compete for transatlantic European container trade and tranship through the tunnel to the Continent has been finally laid to rest. The study carried out by the consultants Pleda and commissioned by Clyde Port Authority has concluded that a major port serving continental Europe would not prove economically viable. Pleda has added that the causal reasons lying behind this conclusion can be applied equally to all UK ports.

Since the outset of the Channel tunnel project this association has argued that the Channel tunnel will be highly

To accept the "benefits received" principle would lead us to the absurd conclusion that a community charge ought to be related to the number of school children or old people in a household.

If taxes are to be related to benefits available, then the method of politically motivated take account of the fact that public services are not there to be enjoyed equally by all; their quality varies from place to place even within the same local authority areas. Some schools are better than others, and not everyone can live opposite a park.

The most accurate measure of the quality of public services available at a particular location is the value of land; land values are the market value of the infrastructure enjoyed at that location. If we wish to relate taxation to benefits, then the most appropriate way of doing so would be to move towards a system of rating or taxation based on land value. If such a reform is politically unacceptable, we should at least acknowledge that rateable values contain an element of land value, to that extent the present system already conforms to the "benefits" principle.

The community charge will do little or nothing to bring local government spending under control. Money spent on dubious causes catches the headlines, but it is minute in relation to the total. The real waste is largely out of public view: its most politically motivated part is a large part of the actual method of raising local revenue or any supposed lack of accountability through the ballot box. The problem has its roots in managerial and financial structures within local government, and the proposed community charge is no remedy.



Engineers and accountants

From the Finance Director, Eaton-Williams Group.

Sir—Mr Mellor (July 7) offers an excellent defence of the engineering profession and promotes the undoubted benefits to wealth creation of accountants and engineers working "in harmony". He suggests that accountants should be given space to discuss the same realisation that accountants are "skinflints". Speaking as an accountant who works in an engineering company, I am grateful for that.

His letter is full of other, more subtle, generalisations which in my view, do little to foster the harmony he promotes, however.

Descriptions such as the "frontiers of new technology" are a positive encouragement to the idea of the engineer's pioneering role whereas "working within budgets" suggests

A boom time for tankers?

From Mr K. Shillito.

Sir—The first time since 1979 tanker owners may be on the verge of a breakthrough into significantly higher levels of freight earnings. Uncertainty about what may happen in the Gulf if and when the US fleet takes up its protective role in support of Kuwaiti tankers, and a firming of oil prices in the light of that and other considerations have engendered a sudden demand for tonnage including some vessels for storage outside the Gulf area. A significant and reasonably lasting elevation of freight rates will only be achieved if tanker owners take a least one of Opec's best selling book and apply their own pressure to the laws of supply and demand. If Greek, Scandinavian and Hong Kong owners were to unite in laying down minimum acceptable freight levels, some 60 per cent of the free spot tanker tonnage would be effectively organised and the

Clyde. At best the saving in terms of sea costs amounts to some £87 per TEU to have a container delivered at the Clyde rather than Bremen, Rotterdam or Le Havre. Land costs, however, even using the cheapest, rail, are typically four to five times higher than sea costs per TEU/km plus the costs of using the tunnel, which it estimates at being around £150 per box.

The report concludes that "the UK gateway offers not cost benefit to the shipping line considering redeployment of its vessels, and only uncertain benefits to high value shippers."

In the light of the conclusions of these two recent reports perhaps now the financial and economic reality that the Channel tunnel cannot restore prosperity to UK ports can be recognised.

At present shippers enjoy substantially lower costs at Continental ports. These cost

"TURKEY HAS no intention of paying any political price for full membership" of the European Community, Mr Vahit Halefoglu, its Foreign Minister, said at Chatham House last week. He was responding to the resolution adopted by the European Parliament on June 18, which — besides calling on Turkey to acknowledge that "genocide" was committed against the Armenians during the First World War — listed several "insurmountable obstacles to consideration of the possibility of the EC's accession to the EC. Among them was "the maintenance of Turkish occupation forces in Cyprus" and the Turkish Government's "denial of the existence of the Kurdish question."

The resolution has certainly not increased the stature of the European Parliament, if only because so few MEPs took part in the vote. Those who voted for it may have had some idea of the violent passions they were bound to provoke. Those who were not prepared to vote for it, but let it go through, behaved irresponsibly.

It was bad luck, of course, that the resolution was followed that very weekend by a Kurdish terrorist massacre in eastern Turkey. But even had that not happened there would have been an outburst of Turkish rage. The Armenian issue is one on which Turkish public opinion is ultra-sensitive, partly because it is associated with terrorism and partly because there is the lurking fear that, if genocide were once acknowledged, the next step would be a demand for an Armenian state on what is at present Turkish territory.

Turks from President Kenan Evren downwards interpreted the resolution as a European demand that Turkey should cede parts of its national territory to both Armenians and Kurds. This seemed like a return to the attitude of the Entente powers after the First World War, when Greece invaded Asia Minor with the enthusiastic backing of Lloyd George, and the Treaty of Sevres envisaged the creation of a hypothetical Kurdish state. Most of Turkey's subsequent history can be read as a determined effort by Ataturk and his successors to revise this attitude and to accept the new Turkey as one of themselves.

Among the milestones of that history are Turkey's entry into NATO in 1952 and its association agreement with the European Community, which specified full membership as the ultimate goal—in 1963. The application for full membership is thus seen by much of the Turkish elite as the logical next stage.

Yet today Ataturk's heirs find both Europe and the US



A culture shock for Europe

still harping on the Armenian issue; still siding with the Greeks (at least as seen from Turkey); now apparently encouraging Kurdish separatism as well—and using all these issues to deny Turkey its place in a European Community where Greece is already seated. They are beginning to wonder whether all their effort has not been misdirected and in vain.

How strong that mood is may be judged by the fact that the man who has lately expressed it most eloquently is President

standing, on the Turkish side, an astounding flash of revisionism, of what the European Community is really about, and why there are problems about Turkish membership that go far deeper than the mere disparity in per capita GNP.

If the peoples of western Europe have felt able to come together in a closely integrated community, with the aspiration to become closer and more integrated over time, it is because they have a strong sense of sharing a common culture. It

is a culture derived from a common history going back beyond present national and linguistic divisions to the Roman empire, the Latin language and church, the Renaissance, Reformation and Enlightenment.

Greece, which traces its cultural lineage through the Byzantine empire and the Orthodox church, is already the odd man out. Its natural affinities are much more with the Slavic world of eastern Europe. But after 1945 that world fell under the yoke of Stalinism, a fate from which Greece was saved, (in the teeth of resistance from many of its own people) by the determination first of Churchill and later of Truman. It thus became a kind of honorary part of western Europe, which, on the whole has welcomed it for Byronic reasons, recognising it as the place where the common ancestors of both east and west European culture once lived. Greek membership of the EC

is thus only a partial anomaly, and Greece is anyway small enough to be an anomaly one can just about live with. Turkey is a different matter. Its cultural roots are in Islamic civilisation, not in Christendom. It will join the Community—if it does — as one of the largest member-states, probably the largest in terms of population. As its Prime Minister, Mr Turgut Ozal, wrote in the FT on May 20 that Europe with Turkey would be "a new Europe." The question in many European minds is whether that new Europe would not be too heterogeneous and far-flung to retain, or to develop, a clear sense of its own identity.

The odd thing is that it is only the Greeks, who might seem the least well placed of the Community's existing members to do so, that are currently making this point. They are trying to get the Turkish application ruled out of court before the process of considering it even starts. Promises made at the time of Greece's own application in the 1970s—that Greece would not take advantage of getting in first to slam the door in Turkey's face—seem to have been completely forgotten.

It would surely be tactically more clever for the Greeks to offer support for Turkish membership, on condition that outstanding issues in Cyprus and the Aegean are

Part of the trouble is that Turkey does not see "Europe" and Nato as aspects of the same Western orientation, whereas west Europeans look to "Europe" for a more sharply defined and more coherent identity than Nato can give them. So when Mr Halefoglu declared at Chatham House that "it would be unthinkable for the European political union of tomorrow to delegate the defence responsibility for its vital interests to others," most of his audience probably thought that a European political union, while it should certainly be better able to defend itself than west European states are at present, would still need allies. The US would be the most important of these, but Turkey not the last.

Mr Halefoglu went on to quote a report of 1956 to the effect that Nato's deterrent role "can be discharged only if the political and economic relations between its members are co-operative and close." Few if any west European leaders would dispute that, or would wish for anything but co-operative and close relations with Turkey, as with the US and Canada. But the European Community aspires to be something more. It is hard not to fear that the process of absorbing Turkey would in the end make it something less.

Edward Mortimer finds that the problems of Turkish membership of the EC go far deeper than a mere disparity in national income

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US warships 'ready to escort tankers'

BY LIONEL BARBER IN WASHINGTON, AND ANDREW GOWERS, AND LUCY KELLAWAY IN LONDON

MR CASPAR Weinberger, the US defence secretary, said yesterday that US warships and aircraft would begin escorting the first of 11 Kuwaiti oil tankers to carry US flags through the Gulf "imminently".

Confirming earlier indications that the escort plan could take place early next week, Mr Weinberger also said that US forces were ready to attack Iranian Silkorm missiles if Iran was prepared to fire them at tankers.

He said in an interview with Knight Ridder newspapers: "The Silkorm is a weapon capable of causing considerable damage. It is important to actually understand that we would

not have to wait until it actually hit us."

Earlier yesterday, Kuwait and the US said the refuelling plan was proceeding according to schedule.

Meanwhile, oil prices rose again yesterday after a French tanker was attacked in the Gulf by an Iranian boat. Last night France demanded an immediate explanation of the incident.

In London, the price of Brent crude rose by 10 cents to \$19.85 a barrel, while in New York, West Texas Intermediate was trading 16 cents higher at \$21.48 by mid-afternoon, the highest since January last year. The market is also being affected by Iraqi claims of attacks on Iranian

oil installations.

Oil prices have been driven up by nearly \$1 over the past week. Traders have become increasingly anxious about the refuelling of Kuwaiti oil tankers, and many fear that an incident could cause a large jump in the oil price.

Yesterday, the Kuwait News Agency quoted Mr Abdul Fatah al-Bader, chairman of the Kuwait Oil Tanker Company, as saying: "Everything will take place as decided and on time."

Reuters reported from Kuwait that the American flag would be hoisted on the 401,382-tonne tanker Bridgeton, anchored off the United Arab Emirates, next Monday or Tuesday. The vessel

would then sail with a US naval escort.

A second tanker, the 43,804-tonne Gas Prince, now sailing from the Mediterranean, would be refuelled as soon as it joined the Bridgeton. The remaining nine would be dealt with in the next two months.

In Washington, US officials refused to comment on the report from Kuwait, but said the Administration had always intended that the starting date would be mid-July.

A State Department official said: "There could be a little slippage because of technical hitches, but the target date remains the middle of this month."

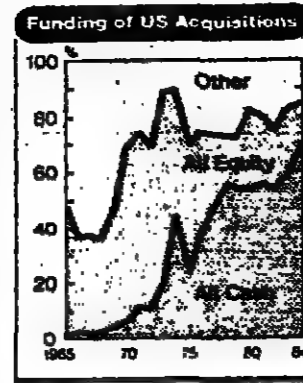
The refuelling scheme - offered by the Reagan Administration to Kuwait in response to attacks by Iran on Kuwaiti shipping through the Gulf - has aroused great controversy in the US Congress, misgivings among America's Western allies, and worries about oil supplies.

Many Congressmen fear that the US could be sucked into the Gulf War between Iran and Iraq, Kuwait's ally, and that the Administration has abandoned its neutrality. But President Reagan has stuck to his policy, and Congress has been unable to form a consensus on an alternative plan.

THE LEX COLUMN

Elementary, my dear Holmes

Share dealing scandals on both sides of the Atlantic may have caused leading British and American arbitrageurs to adopt a lower profile. But no such inhibitions affect the leading Australian member of the club, Mr Robert Holmes a Court. The announcement that he and his associates could hold over 5 per cent of Sears comes just two days after Mr Holmes a Court revealed that his stake in Texaco amounted to 3.5 per cent. On the surface the Texaco deal seems the more risky, in that over \$800m has been sunk into a stock which yields not a cent. But Texaco's bankruptcy, while deterring the normal run of institutions from buying, cannot disguise the fact that the company is sitting on assets worth an estimated \$80 a share, compared with the current market price of \$44.



Mr Holmes a Court seems suspiciously anxious to let the market know he was building a stake in Sears. By taking on commitments to buy up to 1.3 per cent of the company in the traded options market, Mr Holmes a Court became much more visible than he would have been if he stuck to the much less than main market in the shares. On the other hand, by finding people who would pay for the right to sell him Sears shares at 180p in September, Mr Holmes a Court has found a novel way of meeting some of the financing costs of the Sears stake.

In marking up the Sears share price by only 6p to 180p, market makers showed admirable restraint yesterday. The shares are already on a demanding multiple of around 18 times projected earnings, and, whatever his reputation, Mr Holmes a Court has not made money on every one of his arbitrage operations.

Merchant banks

If all else seems unpromising maybe a bid, or at least talk of one, will save the day. Takeover fever in the merchant banking sector has almost succeeded in pushing the share price of Morgan Grenfell back to the 500p at which the bank was floated a year ago.

It is tempting to find poetic justice in the plight of the merchant banks, plagued by rumours of deals of the kind which they have inflicted upon so many unsuspecting industrial companies. There is, however, one snag in that merchant banking takeovers are uniquely unproductive for corporate finance departments in terms of fee generation: it is not done for merchant banks to call in rivals to advise them, while there are no bonuses to be earned on purely in-house transactions.

While other sector share prices leapt, Mercantile House tumbled 54p to 435p on the termination of bid talks with a still unnamed counterparty. Its combination of robust money broking and US fund management with an unexciting securities business pitched uncomfortably in the second tier has turned it into a potential breakup situation. Its results at the end of the month are due to show a sharp setback from £75m to around £50m pre-tax. But having apparently rejected a takeover approach, Mercantile is now said to be looking at another kind of deal.

Takeovers

Beware of men bearing paper. The old hunch that predator managements and cash-grabbing target shareholders are the only routine beneficiaries from takeovers is, indirectly, supported by the latest research from Professors Mayer, Franks and Harris. Having computed the vital statistics from 2,500 takeovers in the US and UK (1955-1985) they conclude that, even allowing for tax distortions, all-equity offers produce a lower initial premium for target shareholders than all-cash offers; and the share prices of companies merged via equity swaps subsequently underperform the market, especially in the US. This is another way of saying that stock markets - like most institutions - are susceptible to hype, and sometimes temporarily overvalue rising

Morgan Crucible

Morgan Crucible's £85m offer for Holt Lloyd has all the hallmarks of a generosity driven by the hope of avoiding a contested bid. The 20 times forecast earnings being paid has won the backing of a board which controls next to no stock in a company which, three weeks before talks commenced, was contentedly trading on a prospective multiple of 11.

Leaving aside the well-polished arguments about industrial fit, Crucible's shareholders must consider whether the price being paid has been over-egged to the point where earnings will need a merger account respray. In order to sweeten the pill, Holt's handsome dividend policy is to be extended to all shareholders at a cost of over £12m for Crucible this year.

Given Crucible's unhappy £48m takeover of First Castle Electronics last year it is easy to see why it is prepared to pay to get a good look at the books before bidding. Nonetheless it might take a good deal of waxing before Holt adds some polish to Crucible's bottom line.

Relations between France and Iran worsen

By George Graham in Paris

THE two-week-old row between France and Iran worsened yesterday after an attack on a French ship in the Gulf and an incident in which an Iranian diplomat claimed to have been beaten up by French border police.

The French container ship Ville d'Anvers was attacked by two gunboats early yesterday morning. French observers say the size and armament of the two vessels appears to match the Swedish-designed gunboats Iran has brought into service in the Gulf.

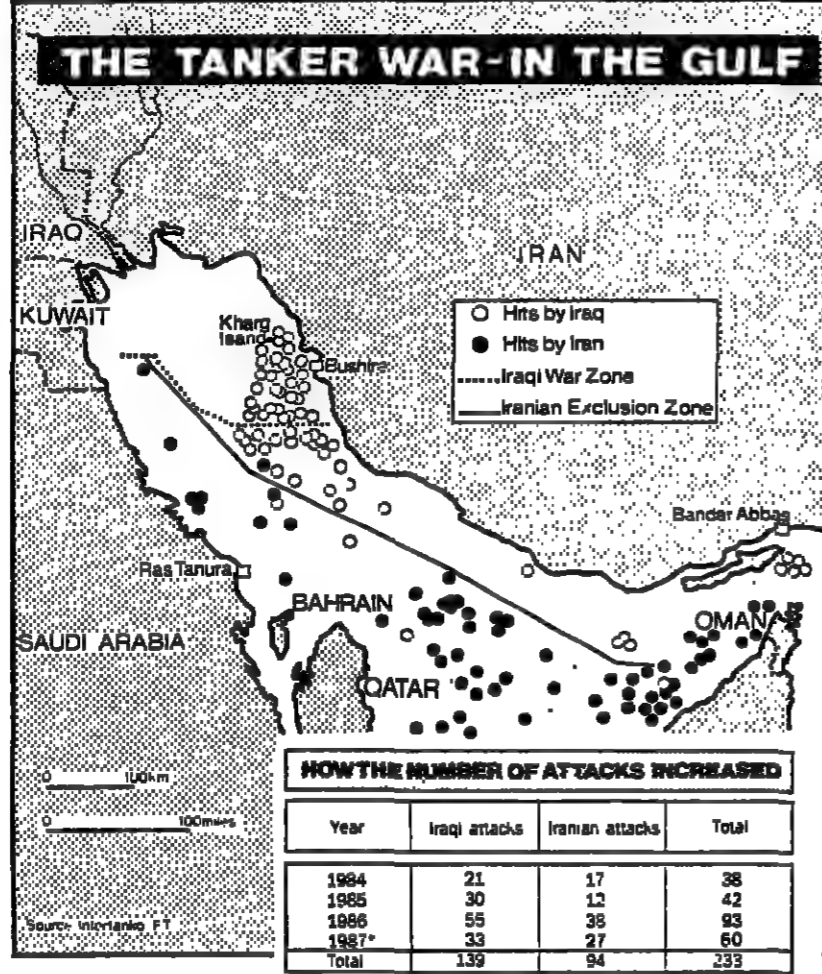
The French defence ministry authorised a French naval escort vessel, the Victor Schoelcher, to enter the Gulf and escort the Ville d'Anvers from Bahrain.

In the second incident, a diplomat based at the Iranian embassy in Paris was taken to a hospital in Geneva after an altercation at the French border. Radio Tehran said Mr Mohsin Aminzadeh had been beaten up by French police at the border with Switzerland, and warned France of the disastrous consequences of its attitude.

French officials denied that Mr Aminzadeh had been beaten up. They said he had hurt himself by rolling around on the floor after refusing to let customs officers examine his briefcase.

The two incidents have heightened tension between Paris and Tehran which has existed since France placed a cordon around the Iranian embassy two weeks ago in a bid to catch Mr Wahid Gerdji, wanted for questioning in connection with last summer's terrorist bombings in Paris. Mr Gerdji has taken refuge in the embassy and refused to come out for questioning.

The row has torpedoed the policy of normalising relations with Iran which was undertaken by Mr Jacques Chirac, the Prime Minister, when he came to power in March 1986.



Iranian gunboats attack French container ship

BY KEVIN BROWN IN LONDON

YESTERDAY'S strike against a French container ship appeared to be the eighth Iranian attack on neutral shipping in the last three weeks.

A French warship was standing by to help the Ville d'Anvers, 31,111 tonnes gross, which was fired on by two gunboats while en route from Kuwait to Dubai. No casualties were reported, however, and the ship was believed to be heading to Bahrain for repairs.

The incident comes only days before the US flagging of Kuwaiti oil tankers is expected and will add to fears of a US confrontation with Iran.

Apart from the two 'open register' fleets of Liberia and Panama, Kuwait has borne the brunt of Iranian attacks on shipping, largely because of its support for Iraq in the Gulf War.

While the US action will be welcomed in Kuwait, however,

President Reagan's characterisation of Iran as the chief villain in the Gulf is not supported by the available evidence.

Iran began the tanker war using Phantom F4 aircraft to attack targets at the northern end of the Gulf, but has subsequently relied more on missile-fired from helicopters. Vespene MK5 frigates armed with Sea Killer missiles, and fast gunboats of the sort which attacked the Ville d'Anvers.

Many of these gunboat attacks are believed to be carried out by Revolutionary Guards based on offshore islands, and not fully under the control of the Government in Tehran.

The International Association of Independent Tanker Owners, says there is no effective method of defence against attacks, and advises members to make sure their crews are well trained for the critical few minutes after the impact.

Bolivia wins unique deal with banks on debt

BY ALEXANDER NICOLL IN LONDON

BOLIVIA is to buy back some of its debt to banks under a novel scheme funded by several Western governments in return for Bolivia's help in reducing the flow of cocaine from the country.

Banks, led by Bank of America, agreed last week to amend the standard clauses in syndicated loan agreements which prevent debtors from buying back debt - a principle that all money available to the banks should be shared out equally among them.

The buy-back plan has been under negotiation for more than a year, since some of Bolivia's sovereign creditors indicated during Paris Club talks on debt rescheduling that they would help the country with its debt problems if it was prepared to assist in stemming cocaine traffic.

Their identity is not known, but they are believed to be European and not to include the US which prefers to channel its assistance through other means.

Despite the features of the plan which are special to Bolivia, it could serve as a model for very poor countries with chronic debt repayment problems.

Bolivia owes \$900m to banks, including \$600m of principal with the remainder made up of arrears on interest payments as well as compounded penalties for non-payment of interest.

Because of the country's economic and repayment difficulties, its debt is quoted at about 10 cents on the dollar in the secondary market, although few deals take place.

Under the scheme, Bolivia will make offers over a four-month period to its 131 creditor banks to buy back the debt. During that time it may change the price it is offering - for example increasing it in order to lure more banks to accept. Then, at the end of the period, all banks which have accepted will be paid the same price - the highest which has been offered.

Individual banks will also have the option to convert debt into equity in Bolivian companies rather than taking cash. They may also hold on to their loans in the hope that repayment prospects may improve.

UK group plans new satellite TV channels for W. Europe

BY RAYMOND SNOODY IN LONDON

FIVE LARGE British companies are working on a £50m (\$81m) plan to create two new channels of satellite television to broadcast to Britain and the rest of Western Europe from next year.

Carlton Communications, the television services company, Saatchi & Saatchi, the advertising group, and Dixons, the retail chain, have joined with two of the big five TV companies, Thames Television and London Weekend Television, and are now finalising a business plan.

The channels, which would carry general entertainment and films and possibly home shopping programmes, would be carried on Astra, the Luxembourg-based satellite due to be launched next year. The 100-tonne Astra satellite is designed to deliver new television channels to cable television networks and direct to dish aerials 60-70cm in diameter on individual homes.

The news comes as investors in British Satellite Broadcasting, the British DBS franchise, prepare to sign formal commitments today for first round funding of about £225m in the British high power direct broadcasting project.

Founder shareholders, Granada, Pearson (publishers of the Financial Times), Virgin and Anglia Television will be joined by companies ranging from Reed International to Chargeurs de France and Next, the fashion group, in the £225m project.

The £200m satellite contract with Hughes Aircraft of the US for two satellites to provide three new national channels of television will be signed tomorrow.

The formal franchise contract between BSF and the Independent Broadcasting Authority will be signed on Thursday and all goes according to schedule British DBS could begin its services of entertainment, news and live events from around the world and new films in late September 1989.

Mr John Whitney, director general of the IBA said yesterday: "I think DBS will widen the range of choice offered within

the public service broadcasting remit. I have always had a deep conviction that, tangibly and self-evidently, DBS will prove itself to be the future."

But BSF now seems likely to face unexpected competition a year before its launch from the consortium led by Mr Michael Green's Carlton Communications, a company now capitalised at \$500m.

The consortium will not take a decision in principle on its proposed two Astra channels before September, but all the signs were yesterday that the project is a serious runner.

The participation of both Thames and LWT would be subject to the approval of the IBA. Thames is already a shareholder in BSF, the company behind Astra. But the IBA made it clear that separate permission would have to be sought if Thames wanted to launch a channel on the satellite.

Thames is still looking at a number of options, including putting the Children's Channel, in which it has a 25 per cent stake, on Astra.

strike could be tonight's All Star baseball game in Oakland, California. The annual mid-season special is scheduled to be broadcast on NBC. Also threatened are popular television comedy shows including the Cosby Show, Family Ties and Cheers. Nobody is laughing at the prospect.

With 4,500 members ranging in stature from famous movie directors to behind-the-scenes production assistants, the Guild has a powerful hold over the movie and television producers.

At issue between the directors and studios are millions of dollars in residual payments that the directors currently receive when their shows are sold to cable television channels or syndicated.

The studios and television companies want to reduce the payment.

Over the weekend, last ditch negotiations between Guild representatives and the Alliance of Motion Pictures and Television Producers produced no movement on either side. More talks were planned yesterday morning, but, at Guild strike headquarters, any hope of an 11th-hour settlement was squashed.

World Weather

Location	Temp	Wind	Cloud	Precip
Abisko	22	10	0	0
Algeria	28	10	0	0
Amsterdam	18	10	0	0
Antwerp	18	10	0	0
Athens	28	10	0	0
Bangkok	28	10	0	0
Birmingham	18	10	0	0
Bombay	28	10	0	0
Boston	18	10	0	0
Buenos Aires	28	10	0	0
Calcutta	28	10	0	0
Cardiff	18	10	0	0
Chennai	28	10	0	0
Copenhagen	18	10	0	0
Dublin	18	10	0	0
Edinburgh	18	10	0	0
Geneva	18	10	0	0
Hamburg	18	10	0	0
Helsinki	18	10	0	0
London	18	10	0	0
Los Angeles	28	10	0	0
Luxembourg	18	10	0	0
Madrid	28	10	0	0
Moscow	18	10	0	0
Munich	18	10	0	0
Nairobi	28	10	0	0
Paris	18	10	0	0
Rangoon	28	10	0	0
Rome	28	10	0	0
Sao Paulo	28	10	0	0
Seoul	28	10	0	0
Shanghai	28	10	0	0
Singapore	28	10	0	0
Stockholm	18	10	0	0
Taipei	28	10	0	0
Tokyo	28	10	0	0
Toronto	18	10	0	0
Ulaanbaatar	18	10	0	0
Washington	18	10	0	0
Zurich	18	10	0	0

Ghost-town threat to Hollywood

BY LOUISE KENOE IN SAN FRANCISCO

HOLLYWOOD'S movie studios are old hands at creating ghost towns in their famous backlots, but the image may spread to the front gates this morning if a planned strike by the Directors Guild of America goes ahead.

Yesterday, Guild representatives reaffirmed their determination to strike against Warner Brothers, Columbia Pictures and NBC television, action that would halt production of dozens of television shows and movies, and throw thousands in the Los Angeles movie business out of work.

First victim of the planned

strike could be tonight's All Star baseball game in Oakland, California. The annual mid-season special is scheduled to be broadcast on NBC. Also threatened are popular television comedy shows including the Cosby Show, Family Ties and Cheers. Nobody is laughing at the prospect.

With 4,500 members ranging in stature from famous movie directors to behind-the-scenes production assistants, the Guild has a powerful hold over the movie and television producers.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday July 14 1987

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CBS to sell magazines unit in \$650m buyout

BY JAMES BUCHAN IN NEW YORK

CBS, the US broadcasting and recording group which is in the throes of a deep retrenchment, announced yesterday it was selling its magazine division to senior management for \$650m in cash.

The sale of the division which reported pre-tax profits of \$8m on revenues of \$198.5m in the first half of this year, is the largest disposal yet undertaken by Mr Larry Tisch, the cost-cutting financier who took over CBS in a coup that removed Mr Thomas Wymann as chief executive last September.

Mr Tisch, who became chief executive in January, last year sold the group's book and music publishing operations for \$500m and \$125m respectively.

He has also tried to revive the flagging financial fortunes of the broadcasting business with sweeping staff reductions in the flagship news operation.

Together with the proceeds of recent debt offering, CBS now enjoys surplus cash amounting to more than \$1.6bn.

CBS management said yesterday that the "corporation remains interested in expansion and potential acquisitions in its core businesses, broadcasting and recordings."

Analysts expect Mr Tisch to buy additional television stations.

The magazine group, which includes such titles as Woman's Day, Field & Stream, and Modern Bride, is being sold to a management group led by Mr Peter Diamandis, the division's president, backed by Prudential and Prudential-Bache Interfunding, two merchant banking subsidiaries of Prudential Insurance of America.

Last year, Mr Tisch apparently rebuffed interest in the magazines from France's Hachette and Gannett, the US publisher.

But Wall Street analysts said yesterday that the offer from the Diamandis group was highly generous. "Mr Tisch struck a nice deal," said Mr Raymond Katz, an analyst at Mabon Nugent in New York.

Earnings at the division have been held up by a weak advertising market and high depreciation charges against titles bought from the Ziff-Davis group in 1985.

Last week, CBS reported second-quarter net income of \$92.1m on revenues of \$1.21bn, down from \$115.4m on sales of \$1.17bn.

The decline was caused by sagging revenues in CBS, which has lost its traditional dominance of prime-time television, partially offset by improved profits from the recording business.

Last year, the CBS board rejected plans to sell the record division, which Wall Street values at more than \$1.3bn.

Sheaffer pens group sold for \$135m

By William Dufforce in Geneva

GEFINOR Investment, a merchant banking group registered in Luxembourg, has bought the Sheaffer-Eaton pens and stationery division of Textron of the US for about \$135m.

The deal was done through Gefinor's US subsidiary whose president, Mr Edward Armaly, said yesterday that the purchase was for Gefinor's own account, although some of its clients might be offered participations later.

Gefinor will keep a majority shareholding, but Sheaffer-Eaton's present management will take a small minority stake and Mr Joseph Bialore, its chief executive, will continue to run the business.

Textron said that disposing of the division was part of its plan to sell off assets which did not fit its long-term strategic objectives. The proceeds would be used to redeem debt incurred in buying the Ex-Cell-O heavy machinery concern last September.

Sheaffer-Eaton, which has its headquarters in Pittsfield, Massachusetts, reported sales of \$138m last year, and according to Mr Armaly, is "very profitable." As well as producing quality writing equipment, it specialises in at-a-glance appointment books and report covers. It employs 2,200 people.

Gefinor has offices in Geneva, London, Paris, New York and the Bahamas. It sees Sheaffer-Eaton as a medium-term to long-term investment opportunity and expects the company to expand its operations worldwide, Mr Armaly said.

Established 26 years ago by a group of Middle East investors, Gefinor went public in Luxembourg in January last year with an initial share capital of \$100m.

US banks hit by bond trading losses in quarter

BY WILLIAM HALL IN NEW YORK

CHASE Manhattan and First Chicago, parents of two of the biggest US money centre banks, yesterday reported they had lost money in bond trading during the second quarter - one of the biggest shake-out periods in the US credit market for several years.

First Chicago lost \$28.6m on trading account activities in the second quarter, compared with a \$5.1m profit in the same period last year.

Chase Manhattan reported a \$11m loss on its dealer trading account compared with a \$9m profit a year ago.

Last week, JP Morgan reported that its "other trading income" fell from \$25m to \$0.4m in the latest quarter.

This is in common with several leading Wall Street investment banks.

The bond trading losses combined to depress the performance of both banks during a quarter when their results were dominated by the previously reported substantial additions to reserves for possible credit losses in troubled Third World countries.

Chase says that the continuing non-accrual status of medium and long-term cross-border outstandings to borrowers in Brazil and Ecuador reduced second-quarter net income by \$30m.

Excluding the effect of the continuing non-accrual status of these

loans, Chase's net interest income on a taxable equivalent basis increased over the second quarter of 1986. Other operating income benefited from sharply higher fee and commission income.

However, this was offset by declines in dealer trading account profits, investment securities gains and a lower level of gains from asset sales.

Mr Barry Sullivan, First Chicago's chief executive, says the group's net interest income and foreign exchange trading profits achieved record levels "continuing the positive trends in these areas and in the performance of our principal business units."

Transco Energy slashes dividend

By Anatole Kaletsky in New York

TRANSCO ENERGY, a leading US gas pipeline company that transports nearly \$4bn worth of natural gas from the Gulf of Mexico to the US eastern seaboard, has halved its quarterly dividend from 68 cents to 34 cents a share.

While Transco's cutback was not entirely unexpected - shares dropped only 5% to \$39 1/2 in morning trading yesterday - it underlined the difficulties faced by the \$50bn US pipeline industry, despite the recent recovery of energy prices.

The reduction of the dividend will save Transco about \$35m in cash annually.

Transco said the lower dividend was needed because of difficulties in re-negotiating past contracts with natural gas producers, as well as the failure of efforts to reach a "reasonable" arrangement on cost-sharing with customers and the Federal Energy Regulatory Commission (FERC).

Transco and most other pipeline operators have been paying large penalties to gas producers because of contracts written in the late-1970s and early 1980s, when natural gas was in short supply.

The pipeline operators committed themselves to paying for stated quantities of gas, whether or not they actually carried this from the fields.

Since 1981, pipeline operators have been unable to sell all the gas to which they had committed themselves.

The main long-term solution is likely to be the transformation of pipeline operators from their present role as energy wholesalers into common carriers of natural gas, which would be bought directly by gas utilities from the Gulf Coast producers.

Wattie plans to buy Singapore supermarkets

By Our Financial Staff

WATTIE INDUSTRIES, New Zealand's leading food processor, plans to pay \$571.4m (US\$128m) for a majority stake in Cold Storage Holdings, the largest supermarket chain in Singapore.

It has already acquired a 17.1 per cent holding at \$54.25 per share or \$580.5m.

The New Zealand company is offering the same price for a further holding of 42.58m shares to take its entitlement in Cold Storage to 51.3 per cent.

The initial deal was made with Australian and Oriental Trading, while the board of Queensland Trading and Holding said it would meet next week to consider what it described as a firm offer from Wattie for its stake in Cold Storage.

NCR beats forecast with currency gains

BY OUR FINANCIAL STAFF

NCR, the US computer and electronics group, lifted second-quarter net income from \$78.8m or 80 cents a share to a better-than-expected \$98.6m or \$1.05.

It said the increased US dollar value of many major currencies was an important factor in its improved earnings.

Revenue in the latest quarter rose to \$1.38bn against \$1.17bn. The latest profits lift out for the year to \$160.1m or \$1.69 a share, from \$129.1m or \$1.30, on revenues up from \$2.15bn to \$2.48bn.

Mr Charles Eley Jr, chairman and president, said: "These results support our expectations of record earnings and revenue for 1987."

He said the company's European and Pacific marketing groups led

the revenue advance supported by growth in the US.

"Our strong revenue growth was the major contributor to the substantial increase in earnings," Mr Eley said.

He said the US dollar value of NCR's worldwide incoming orders posted a substantial gain over the comparable quarter in 1986 and reached a high for the third consecutive quarter.

Orders in the second quarter increased from previous levels in most important products.

"Particularly strong orders were recorded for personal computers and the NCR Tower family of supermicrocomputers. A number of large orders for bank branch-automation systems were also recorded," said Mr Eley.

Apple earnings 65% ahead as sales grow

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER, the US personal computer manufacturer, yesterday announced third-quarter earnings of \$33.5m, a 65 per cent jump from net earnings of \$20.3m in the same period last year. Sales increased 42 per cent to \$657.1m from the year ago level of \$464.5m.

Earnings per share adjusted for a two-for-one stock split were 40 cents compared with 25 cents in the same period last year.

"These results are more evidence that Apple is doing well," claimed Mr John Sculley, chairman and chief executive.

Despite increased competition particularly from IBM, which launched a new range of personal computers in early April, Apple has significantly increased business sales of its high performance Mac-

intosh personal computers, the company said.

Products introduced by Apple within the past year represented nearly 50 per cent of revenues this quarter, the company said.

"Strong momentum continues to build worldwide for our Macintosh products. Shipments of the Macintosh 2 have begun, and we are encouraged by initial demand for this high performance product," Mr Sculley said.

"Apple has entered a new phase," he continued. "The investments we've made are yielding good growth in both revenues and earnings."

For the nine months period Apple reported net earnings of \$143.8m or \$1.11 per share compared with \$121.1m or 95 cents per share for the same period a year ago. Sales rose from \$1.38bn to \$1.67bn.

Whirlpool falls despite rise in sales

By Our Financial Staff

WHIRLPOOL, the big US domestic appliance group, suffered a fall in second-quarter net earnings from \$32.4m or 71 cents a share to \$47.4m or 65 cents, despite a slight increase in sales from \$1.07bn to \$1.14bn.

The company attributed the decline to increased production costs, primarily depreciation and engineering expenses, and selling and administrative costs associated with producing and marketing a full line of KitchenAid home appliances introduced in the first quarter.

The result took earnings for the first six months to \$96.1m or \$1.31 a share, against \$101.6m or \$1.38 a year earlier.

Sales rose to \$2.1bn from \$1.94bn, with increased volume in most product categories.

Last year, Whirlpool reported earnings of \$182m or \$2.70 a share.

All of these securities having been sold, this advertisement appears as a matter of record only.

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June, 1987

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9th July, 1987



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New Issue / June, 1987

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INTL. COMPANIES and FINANCE

Haig Simonian on the W German motor group's boardroom reshuffle

Daimler faces up to its critics

DAIMLER-BENZ's famous three-pointed star, a familiar sight on the rooftops of tall buildings in virtually every big West German city, has been rising fast in the past two years. A series of acquisitions has built the once solid, if unexciting, car and lorry manufacturer into one of the leading edges of German industry. At the same time, it has become the country's biggest selling and most highly capitalised company. Daimler's worldwide turnover last year amounted to DM 65.6bn (\$35.5bn) while group sales in the first half of 1987 rose by 1 per cent to DM 31.5bn.

Yesterday's news that Mr Werner Breitschwerdt, its chief executive since 1983, is to step down and probably be replaced by Mr Edzard Reuter, the finance director and chief strategic planner, suggests that Daimler's many strands will now be brought even closer together. Mr Reuter already chairs Daimler's "synergy committee" which is concerned with developing the future strategy of Germany's hi-tech giant.

Daimler's philosophy, like that of some other industrial groups such as rival car manufacturer BMW, has been to stress and raise the technological content of its products, while broadening its scope across the high-tech board.

However, the company has



Edzard Reuter (left), Daimler's chief strategic planner, and Werner Breitschwerdt, chief executive since 1983.

gone further than most in that respect. In the past two years, it has bought AEG, the electronics concern, Motoren und Turbinen Union, the aero engine manufacturer, and a controlling stake in Dornier, Germany's second largest aerospace group. Speculation still surfaces periodically about a possible stake in Messerschmitt-Bölkow-Blöhm, Germany's partner in the European Airbus consortium.

Despite the diversification, up-market passenger cars remain

Daimler's best-known product. Though they only form part of what is now a very wide-ranging group, Mr Breitschwerdt noted less than two weeks ago at Daimler's annual shareholders meeting how its diverse interests could pull together in even its core auto business.

Exclusivity, top technology and high quality—the cornerstones of Daimler's passenger car philosophy—were the only way Daimler would beat off competitors from the Far East which were now trying to break

into the luxury car market, he said. He should know. With 34 years at Daimler under his belt, it was Mr Breitschwerdt, appointed director for research and development in 1977, who saw in the compact 190 and middle-range 200 series of cars which are now the group's money spinners. Boosted by its higher car volume, Daimler's profits rose to a record of around DM 1.8bn in 1984.

Other figures reflect the group's rapid growth. Daimler now employs 330,000, while its capital spending last year remained a high DM 5bn, with some DM 1.8bn going into the car division. Research and development spending totalled more than DM 3.7bn.

The group has suffered some unexpected jolts in its carefully-cultivated image of late, with criticisms of its medium-sized car range and an embarrassing legal setback which has apparently blocked its planned Boxberg test track, on which DM 60m has been spent so far. Meanwhile, the DM 5bn is due to rule on the legality of some DM 140m or so of infrastructure support for its planned new car factory at Rastatt, in eastern Baden-Wuerttemberg.

Nevertheless, though hardly drops in the ocean, these are still relatively small beer for the size of the company Daimler has now become.

Profit decline at Hochtief to continue

By Our Financial Staff

HOCHTIEF, the West German construction group, said yesterday that profits could continue to decline in the current year as a result of falling orders.

For 1986 group net profits slipped from DM 192m (\$104m) to DM 142m, and with both domestic and foreign demand tailing off further this year Hochtief "may suffer lower group and parent company earnings."

During the six months ended June, domestic orders fell to DM 1.49bn from DM 1.81bn a year earlier while foreign demand dipped to DM 610m in the half-year from DM 910m.

Caterpillar registers turnaround

By Our Financial Staff

SHARES in Caterpillar, the largest US manufacturer of earthmoving equipment, rose \$11 to \$591 in early trading yesterday after the company revealed a sharp turnaround in its fortunes in the second quarter.

Earnings were \$118m or \$1.34 a share, against \$129m or \$1.41, reflecting a less favourable mix of product sales and a \$34m reduction in benefits from the LIFO accounting method. However, in the first three months of 1987 the company had lost \$94m, due to the same factors and to a \$48m charge.

The company said that, in the second quarter of 1986, it sold more replacement parts as dealers built up stocks in anticipation of a possible work stoppage.

For the first six months of 1987, the company, formerly known as Caterpillar Tractor, reported net earnings of \$34m or 35 cents a share, reflecting the first quarter loss. In the first half of 1986, Caterpillar made \$254m or \$2.45 a share.

Sales slipped from \$3.73bn to \$3.53bn, despite an increase from \$1.99bn to \$2.44bn.

In the latest three months, this improvement largely reflected the weaker dollar, which inflated European sales when translated into the US currency. The company said it had been able to raise prices.

Caterpillar added that it expects 1987 results to be higher than the \$76m earned last year. Additional benefits from a reduction programme, slightly higher physical sales volume and more competitive pricing due to the weaker dollar would contribute to the improvement, it said.

Setback for Kluwer takeover

By Laura Raun in Amsterdam

KLUWER, the Dutch publishing company at the centre of a hostile takeover battle, may be forced to unravel a secret "poison pill" tactic while its white knight, publisher Wolters Samsom, must relaunch its friendly offer.

In a chaotic day when none of the players in the battle seems to know what is happening, the Amsterdam stock exchange warned that Kluwer—facing competing bids valuing it at over £1.1bn (\$483m)—must remove the "double locks" on the doors or face "measures." But at the same time the board ordered Wolters Samsom to explain more about Kluwer's defensive tactics in a new version of its July 9 prospectus outlining its public tender offer for Kluwer. The stock exchange rejected

Wolters Samsom's "prospective" because it mentioned a "friendly foundation" defensive tactic that was missing in the original, provisional version of the document. In its embarrassing late move yesterday the house also blocked the offer by refusing to list the newly issued convertible preferred shares Wolters Samsom is using along with common stock and cash to buy Kluwer.

Kluwer declined to comment on whether it would get rid of the two friendly foundations which control some of the company's most attractive assets—legal and tax publishers. The two foundations were secretly set up last month, in addition to another publicised foundation, to fight off a hostile bid from rival publisher Elsevier. Wolters Samsom also refused

to say when it would relaunch its tender offer with a new prospectus. There was speculation that the company might even raise its sweetened bid a second time for Kluwer, its bigger fellow publisher.

Yesterday's apparently serious setback for Wolters Samsom sowed great confusion in the market and all the publishers were marked down. Wolters Samsom's share price, however, held up better than Elsevier's and suggested support by Kluwer or its banks as well as uncertainty among investors.

The contested takeover battle has been raging for more than a month and is rare in the Netherlands, where highly effective corporate defences have kept most unfriendly takeover bids from even being launched.

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7th July, 1987



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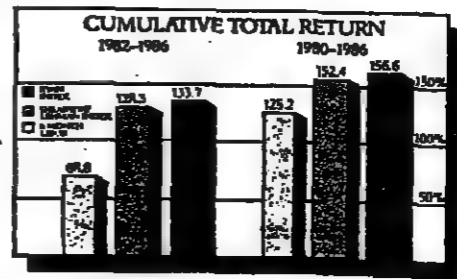
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CORPORATE FINANCE

The above Survey which was due to be published on the 23 July will now be published on Monday 27 July. For further information please contact: David Reed, Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF. Tel: 01-249 8000 ext 3461. Telex: 835023

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Dealers react hesitantly to Treasury climbdown

By CLARE PEARSON

PRICES OF Eurobonds issued by Netherlands Antilles subsidiaries of US companies rose yesterday after a weekend announcement that the US Treasury intended to exempt them from the effects of the termination of its tax treaty with the Antilles.

But dealers did not expect a full immediate revival of liquidity in the market, and trading yesterday was mostly on an indicated price basis only.

Earlier statements by a number of borrowers that they intended to call outstanding bonds, following the Treasury's original announcement that it would end the treaty, continued to cast a shadow over the market although it now seems unlikely that they will be able to do so without the calls.

Zero coupon bonds saw the heaviest trading and, the greatest price rallies yesterday, and in some cases prices reached levels not seen since before the Treasury's original announcement two weeks ago. Fully-coupled bonds were less actively traded.

Two US companies tapped the Eurobond market yesterday: Chrysler Financial in dollars with a deal led by Prudential Bache Capital Funding, and McDonald's with an \$100m issue led by Morgan Stanley. Prudential Bache said the bonds carried tighter withholding tax call provisions than would normally have been thought necessary before the Antilles went.

Chrysler's \$125m three-year 8 1/2 per cent bond, priced at 100.85, was intended to capture recent demand for short-term dollar bonds, although dealers said it had excited little interest in the market. It was quoted at less than 1 1/2, compared with 1 1/2 per cent fees.

But McDonald's two-and-a-half year 12 1/2 per cent issue, and priced at 101 1/2, benefited from the popularity of the borrower's name and traded within the fees.

The Australian dollar Eurobond market was little affected by the weekend Australian general election victory of the ruling Labor Party, though the Australian domestic bond market rallied strongly.

Dealers cited the holiday period on the Continent as the reason for the Eurobond market's failure to respond.

Deutsche Bank Capital Markets was expected to find sales tough for its \$500m five-year issue for State Electricity Commission of Victoria. The 12 1/2 per cent issue was priced at 101 1/2 and traded at or outside the fees.

Two new issues bearing warrants to buy the equity of Japanese companies appeared, even though dealers said other recent issues were having to be supported heavily by their lead managers against a background of continuing uncertainty about the Tokyo equity market.

Daiwa Europe led a \$100m five-year issue for Yokogawa Electric, with an indicated 2 1/2 per cent coupon and par pricing. This was quoted at less than 1 1/2, compared with 2 1/2 per cent fees. Meanwhile, Yamaichi International (Europe) led a \$70m bond on identical terms for Kabuto Juke, the construction company.

Daiwa Europe also launched a \$100m floating rate note issue for Jewel, a Cayman Islands company. The bond pays in-

Japan's life insurers write off \$14.8bn

By Yoko Shibata in Tokyo

JAPAN'S 24 life insurance companies wrote off foreign exchange losses totalling ¥2,238.3bn (\$14.83bn) in the year to March 31, as a result of the yen's steep appreciation.

The figure was up 137 per cent from the previous year, according to the Life Insurance Association of Japan.

The association said the insurers wrote off all their exchange losses in the year by selling assets worth ¥2,470bn, mostly holdings of securities.

The outstanding value of life insurance contracts surged by 9.8 per cent from fiscal 1985 to ¥967,392.7bn (\$6,406.7bn), thanks mainly to a rise in individual life insurance and pension-type life insurance contracts.

The total represents an average of ¥7.95m (\$53,000) for each Japanese citizen — the highest in the world. Premium income rose 21.1 per cent to ¥18,741.8bn, boosting the insurance companies' assets 21.2 per cent to ¥65,317.1bn.

Of total assets, 41 per cent or ¥26,791.8bn was invested in securities, while 39.2 per cent or ¥25,638.6bn was used for loans extended by the 24 life companies. This is the first time since 1949 that their securities investments have surpassed loans as a ratio of total assets.

Norway's long term debt rating lowered

By Stephen Fidler, Euromarkets Correspondent

MOODY'S INVESTORS SERVICE, a US debt assessment agency, yesterday downgraded Norway's top-flight long-term debt rating in a move affecting about \$10.6bn of debt.

The agency lowered Norway's rating from Aaa to Aa1, saying that it expects Norway to require large amounts of external borrowing to finance current account deficits, "which is likely to result in significantly more onerous debt burdens."

Norway's substantial foreign exchange reserves would only provide a limited cushion against possible balance of payments problems, it said.

Moody's expected the government to introduce relatively light economic measures, but said long-term structural problems would be harder to correct. The agency mentioned "the low international competitiveness of Norwegian industry and the country's continuing heavy reliance on revenue from oil and gas exports."

It also downgraded to the same level the long-term rating of Eksportfinans, Norges Kommunalbank and the City of Oslo. It also cut the ratings of three major Norwegian banks, affecting \$4.7bn of debt: Bergen Bank's senior debt and Christiania Bank's senior debt and long-term deposits were lowered to Aaa from Aa1, while Den norske Creditbank's senior debt was lowered to Aaa from Aa1.

Moody's put Norway's debt under review in May, the same time as it put the debt rating of Denmark under review. Yesterday, the agency confirmed it would leave the rating on Denmark's \$16.6bn of long-term debt unchanged at Aa1.

Among the shortcomings highlighted by the commission's document were instances when the exchange "did not consider possible rule violations which were indicated in the course of an investigation," and its failure to develop a programme for routine re-examination of past exemption approvals.

The commission also criticised the duration of some exchange investigations "in part because of a lack of personnel relative to the compliance department's case load." The Merc is in the process of hiring 11 additional employees in the compliance area.

On a more positive note, the review found that the Merc's trade practice investigations "generally were thorough".

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US reveals market's Antilles heel

By STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

COURTESY OF the US Treasury, investors in \$30bn of international bonds issued by US companies have just completed an involuntary—and rather scary—two-week roller coaster ride.

While they have arrived back more or less where they were bundled on, neither they nor, it is to be hoped, the Treasury itself will quickly forget the experience.

For, apart from the reputation of the Treasury, the main casualty in this whole affair may be the Eurobond market.

The June 29 announcement that the US would terminate from the year-end its tax treaty with the Netherlands Antilles would have triggered the early redemption, or call, of an estimated \$30bn of Eurobonds issued by US companies through finance subsidiaries in the Caribbean tax haven.

This would have benefited issuers, which launched most of the bonds at the high interest rates prevailing in the early 1980s. But it would have severely disadvantaged many bond holders and indicated prices of the affected bonds thus fell almost immediately between 10 and 25 per cent.

More disturbing for the longer term, however, was the complete evaporation of the market in the affected bonds.

Market makers melted like chameleons into the back-channels, just as many did in the floating rate note market debacle last year, and the liquidity of a large section of the market turned out to be

little more than a mirage. Ultimately, both investors and dealers in Eurobonds suffer from the disappearance of liquidity since it further fosters an already significant trend in the shift in the focus of international investors away from the Eurobonds and towards government bond markets where liquidity is less transitory.

Conservative investors, such as the Japanese, are increasingly looking abroad to invest. But they want to ensure that the markets in which they deal in shares and bonds are highly liquid.

According to the Treasury, the Antilles treaty was ended as part of a US policy to eliminate the chances for abuse of US income tax treaties through "treaty shopping," where residents of third countries use entities in a treaty country to derive income from US investments to avoid paying US tax.

But the decision, as the Treasury admitted late last week, created "a risk that potential lenders in the Eurobond markets will lose confidence in the US government's ability to preserve efficient access to all capital markets for US borrowers and to avoid retroactive tax effects."

Once in the hole, the Treasury kept digging. Its statement on July 2 that it would propose so-called grandfather legislation to preserve the existing tax position on the bonds sowed more confusion. Many of the bonds were

apparently still callable while the prospects for the legislation remained uncertain, and threats began to emerge of legal action by bondholders to prevent issuers from calling their bonds.

The apparent reason for this partial climbdown, was first outlined by Mr J. Roger Menz, Assistant Treasury Secretary (Tax Policy). It was, he suggested, in an interview with the New York Times, because the Treasury had underestimated the number of Americans who held the bonds and who would lose out.

The inference taken in Europe was that calling foreign investors to the cross of US tax policy was acceptable, but that once Americans started to get hurt, that was taking things too far.

Many US institutional investors have often been able to pick up substantial gains in yield by buying Eurobonds issued by US companies rather than their domestic bond issues. They are free to buy such bonds once they become "seasoned," 90 days after issue.

Perhaps fearing a welter of fresh calls this week, the Treasury finally decided to sort out the problem on Friday. It said it would terminate only part of the treaty, leaving intact, for now, the part affecting the tax position of the Eurobonds. The extent of the grandfathering would then be terminated after the grandfather legislation had been passed.

Observers might be excused for asking why this was not done in the first place. Clearly, the Treasury's haste played a part. It could only end the treaty at a year-end and had to give six months' notice in doing that.

In the early stages, it was clearly under the impression—perhaps on State Department advice—that a partial termination of the tax treaty was not possible.

According to Mr Menz in a letter to Congress last week, the latest step "removes the legal basis for exercising the redemption provisions of the Eurobonds."

That, according to lawyers who follow the Eurobond market, probably also applies to the estimated \$1.4bn of bonds which have already been the subject of call announcements.

Mr Les Samuels and Mr Edward Kleinbard, partners at the New York firm of Cleary, Gottlieb, Stuenkel and Hamilton, said of the Treasury move: "We believe that any issuers that did not seek to rescind its notice of redemption would face litigation from affected bondholders, and that the likelihood of such holders prevailing is substantial."

One immediate consequence of the affair was the tightening up of tax clauses newly-issued Eurobonds, and the International Primary Market Association, which groups the leading Eurobond underwriters, was yesterday discussing the standardisation of these tax-call provisions.

Criticism over policing for Chicago Mercantile

By DAVID OWEN IN CHICAGO

THE COMMODITY FUTURES Trading Commission, the US futures industry watchdog, has criticised aspects of the Chicago Mercantile Exchange's rule enforcement procedures in a recently released review.

The review, directed at 1986 disciplinary matters April 1, 1987, was, however, generally favourable towards the fast-growing exchange's enforcement efforts.

The Merc came under fire earlier this year for inefficient order filling and alleged trading abuses in its crowded Standard & Poor's stock-index futures pit.

Among the shortcomings highlighted by the commission's document were instances when

Rate rise gives breathing space to La Electricidad

By DAVID OWEN IN CHICAGO

LA ELECTRICIDAD de Caracas, Venezuela's largest private electric utility, has been permitted a 74 per cent rate increase that will allow it to stay in business and make repayments on its \$622m in foreign debt, the company said yesterday, Joe Mann writes from Caracas.

Until recently, La Electricidad had said foreign debt repayments and domestic investment would force it into bankruptcy by 1990 without a substantial rate increase.

The government approved the increase for commercial and industrial electricity subscribers, retroactive to July 1. The company has earned

profits in every year except 1984, but has been hit hard by the series of devaluations carried since 1983. La Electricidad is regarded as one of the most efficient private companies in Latin America.

Mr Francisco Aguerrevere, the utility's president, said the new rate structure would give the company "economic breathing room" until 1989, and would generate 1.3bn bolivars (\$44.5m) a year in additional revenue.

La Electricidad holds the largest foreign debt of any Venezuelan private sector company. It serves domestic and industrial electricity subscribers, retroactive to July 1. The company has earned

profits in every year except 1984, but has been hit hard by the series of devaluations carried since 1983. La Electricidad is regarded as one of the most efficient private companies in Latin America.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 13

US DOLLAR STRAIGHTS

Bond	Yield	Price	Change
Alcoa National 7 1/2 %	7.50	100.00	0.00
Alcoa National 8 1/2 %	8.50	100.00	0.00
Alcoa National 9 1/2 %	9.50	100.00	0.00
Alcoa National 10 1/2 %	10.50	100.00	0.00
Alcoa National 11 1/2 %	11.50	100.00	0.00
Alcoa National 12 1/2 %	12.50	100.00	0.00
Alcoa National 13 1/2 %	13.50	100.00	0.00
Alcoa National 14 1/2 %	14.50	100.00	0.00
Alcoa National 15 1/2 %	15.50	100.00	0.00
Alcoa National 16 1/2 %	16.50	100.00	0.00
Alcoa National 17 1/2 %	17.50	100.00	0.00
Alcoa National 18 1/2 %	18.50	100.00	0.00
Alcoa National 19 1/2 %	19.50	100.00	0.00
Alcoa National 20 1/2 %	20.50	100.00	0.00
Alcoa National 21 1/2 %	21.50	100.00	0.00
Alcoa National 22 1/2 %	22.50	100.00	0.00
Alcoa National 23 1/2 %	23.50	100.00	0.00
Alcoa National 24 1/2 %	24.50	100.00	0.00
Alcoa National 25 1/2 %	25.50	100.00	0.00
Alcoa National 26 1/2 %	26.50	100.00	0.00
Alcoa National 27 1/2 %	27.50	100.00	0.00
Alcoa National 28 1/2 %	28.50	100.00	0.00
Alcoa National 29 1/2 %	29.50	100.00	0.00
Alcoa National 30 1/2 %	30.50	100.00	0.00
Alcoa National 31 1/2 %	31.50	100.00	0.00
Alcoa National 32 1/2 %	32.50	100.00	0.00
Alcoa National 33 1/2 %	33.50	100.00	0.00
Alcoa National 34 1/2 %	34.50	100.00	0.00
Alcoa National 35 1/2 %	35.50	100.00	0.00
Alcoa National 36 1/2 %	36.50	100.00	0.00
Alcoa National 37 1/2 %	37.50	100.00	0.00
Alcoa National 38 1/2 %	38.50	100.00	0.00
Alcoa National 39 1/2 %	39.50	100.00	0.00
Alcoa National 40 1/2 %	40.50	100.00	0.00
Alcoa National 41 1/2 %	41.50	100.00	0.00
Alcoa National 42 1/2 %	42.50	100.00	0.00
Alcoa National 43 1/2 %	43.50	100.00	0.00
Alcoa National 44 1/2 %	44.50	100.00	0.00
Alcoa National 45 1/2 %	45.50	100.00	0.00
Alcoa National 46 1/2 %	46.50	100.00	0.00
Alcoa National 47 1/2 %	47.50	100.00	0.00
Alcoa National 48 1/2 %	48.50	100.00	0.00
Alcoa National 49 1/2 %	49.50	100.00	0.00
Alcoa National 50 1/2 %	50.50	100.00	0.00
Alcoa National 51 1/2 %	51.50	100.00	0.00
Alcoa National 52 1/2 %	52.50	100.00	0.00
Alcoa National 53 1/2 %	53.50	100.00	0.00
Alcoa National 54 1/2 %	54.50	100.00	0.00
Alcoa National 55 1/2 %	55.50	100.00	0.00
Alcoa National 56 1/2 %	56.50	100.00	0.00
Alcoa National 57 1/2 %	57.50	100.00	0.00
Alcoa National 58 1/2 %	58.50	100.00	0.00
Alcoa National 59 1/2 %	59.50	100.00	0.00
Alcoa National 60 1/2 %	60.50	100.00	0.00
Alcoa National 61 1/2 %	61.50	100.00	0.00
Alcoa National 62 1/2 %	62.50	100.00	0.00
Alcoa National 63 1/2 %	63.50	100.00	0.00
Alcoa National 64 1/2 %	64.50	100.00	0.00
Alcoa National 65 1/2 %	65.50	100.00	0.00
Alcoa National 66 1/2 %	66.50	100.00	0.00
Alcoa National 67 1/2 %	67.50	100.00	0.00
Alcoa National 68 1/2 %	68.50	100.00	0.00
Alcoa National 69 1/2 %	69.50	100.00	0.00
Alcoa National 70 1/2 %	70.50	100.00	0.00
Alcoa National 71 1/2 %	71.50	100.00	0.00
Alcoa National 72 1/2 %	72.50	100.00	0.00
Alcoa National 73 1/2 %	73.50	100.00	0.00
Alcoa National 74 1/2 %	74.50	100.00	0.00
Alcoa National 75 1/2 %	75.50	100.00	0.00
Alcoa National 76 1/2 %	76.50	100.00	0.00
Alcoa National 77 1/2 %	77.50	100.00	0.00
Alcoa National 78 1/2 %	78.50	100.00	0.00
Alcoa National 79 1/2 %	79.50	100.00	0.00
Alcoa National 80 1/2 %	80.50	100.00	0.00
Alcoa National 81 1/2 %	81.50	100.00	0.00
Alcoa National 82 1/2 %	82.50	100.00	0.00
Alcoa National 83 1/2 %	83.50	100.00	0.00
Alcoa National 84 1/2 %	84.50	100.00	0.00
Alcoa National 85 1/2 %	85.50	100.00	0.00
Alcoa National 86 1/2 %	86.50	100.00	0.00
Alcoa National 87 1/2 %	87.50	100.00	0.00
Alcoa National 88 1/2 %	88.50	100.00	0.00
Alcoa National 89 1/2 %	89.50	100.00	0.00
Alcoa National 90 1/2 %	90.50	100.00	0.00
Alcoa National 91 1/2 %	91.50	100.00	0.00
Alcoa National 92 1/2 %	92.50	100.00	0.00
Alcoa National 93 1/2 %	93.50	100.00	0.00
Alcoa National 94 1/2 %	94.50	100.00	0.00
Alcoa National 95 1/2 %	95.50	100.00	0.00
Alcoa National 96 1/2 %	96.50	100.00	0.00
Alcoa National 97 1/2 %	97.50	100.00	0.00
Alcoa National 98 1/2 %	98.50	100.00	0.00
Alcoa National 99 1/2 %	99.50	100.00	0.00
Alcoa National 100 1/2 %	100.50	100.00	0.00

Average price change on day 0 on week 0

US DOLLAR STRAIGHTS

BARN 5 1/2 %	100	100	0	6.37	Chicago 9 1/2 %	97.20	97.20	0	9.25
BARN 5 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
Barnes 10 1/2 % 01	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
Dow Chemical 10 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
Dow Chemical 10 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
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EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %	100	100	0	6.37	EDS 9 1/2 %	97.20	97.20	0	9.25
EDS 9 1/2 %									

All of these securities having been sold, this announcement appears as a matter of record only.

1,250,000 Ordinary Shares

CERUS

Compagnies Européennes Réunies S.A.

Offer Price FF825

Shearson Lehman Brothers International Banque Nationale de Paris
Banque Indosuez Deutsche Bank Capital Markets Limited
Credit Suisse First Boston Limited Compagnie Financière Barclays Crédit Agricole
Crédit Lyonnais Dresdner Bank J. Henry Schroder Wagg & Co. Limited
Banque Stern Banca Commerciale Italiana Banque Bruxelles Lambert S.A.
Banque Paribas Banque Worms Caisse des Dépôts et Consignations
Cazenove & Co. Citibank S.A. Compagnie de Banque et d'Investissements-CBI
Crédit Industriel et Commercial de Paris Euromobiliare Kleinwort Benson Limited
Lombard Odier International Underwriters S.A. McLeod Young Weir International Limited
Merrill Lynch Capital Markets Morgan Grenfell & Co. Limited Morgan Guaranty Ltd
Morgan Stanley International Nomura International Limited
Salomon Brothers International Limited Société Générale
Swiss Bank Corporation International Limited Union Bank of Switzerland (Securities) Limited

May, 1987

F.H. Tomkins p.l.c.

has acquired

Smith & Wesson Corp.

a wholly-owned subsidiary of

Lear Siegler Holdings Corp.

The undersigned initiated this transaction and acted as financial advisor to F.H. Tomkins p.l.c.

LAZARD FRÈRES & Co.

June 29, 1987

LASMO

U.S.\$75,000,000
LASMO Eurofinance B.V.
(Incorporated in The Netherlands with limited liability)
Floating Rate Guaranteed Notes due 1989
unconditionally guaranteed by

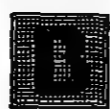
London & Scottish Marine Oil PLC

(Incorporated in England under the Companies Acts 1948 to 1967)
Notice is hereby given that the Rate of Interest has been fixed at 7 1/2% p.a. and that the interest payable on the relevant Interest Payment Date, January 14, 1988, against Coupon No. 11 will be U.S.\$193.26 in respect of U.S.\$5,000 nominal amount of the Notes.

July 14, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Banque Nationale de Paris



U.S.\$75,000,000

Floating Rate Notes 1987/1990/1994

In accordance with the provisions of the Notes, notice is hereby given that for the six months 14th July, 1987 to 14th January, 1988 the Notes will bear an interest of 7.4375% per annum and the coupon amount per U.S.\$100,000 will be U.S.\$7.4375.

Agent Bank

Samuel Montagu & Co. Limited

INTL. COMPANIES and FINANCE

Anamint stake sold to De Beers

BY JIM JONES IN JOHANNESBURG

MINORCO, the Bermuda arm of South Africa's Anglo American group, has sold its entire 10 per cent interest in Anglo American Investment Trust (Anamint) to De Beers for US\$515m, prompting speculation in Johannesburg that the Anglo American/De Beers group is to be restructured.

Though the group will neither confirm nor deny it, Johannesburg stockbrokers believe the intention is to separate as completely as possible the South African and foreign operations because of political

fears. Minorco, De Beers, Anamint and Anglo American control each other through interlocking shareholdings and common boards of directors. Anamint owns 27.3 per cent of De Beers and has important direct holdings in De Beers' diamond trading companies. Apart from the Minorco holding, 52 per cent of Anamint's equity is owned by Anglo American which also owns 7 per cent of De Beers and 39 per cent of Minorco.

De Beers, in its turn, owns 21 per cent of Minorco and 38 per

cent of Anglo American. The Anamint stake represented about 5 per cent of Minorco's total assets.

Mr Neville Huxham, a De Beers official, says the purchase price is to be paid in shares which Minorco will transfer out of South Africa through the financial market. In effect this means De Beers is paying for an increased interest in itself and a tighter hold on its diamond trading companies.

Minorco plans to use the sale proceeds to finance mine developments elsewhere.

Mr Roger Phillimore, a director of Minorco, says his company had never looked upon the Anamint investment as long-term. Minorco acquired the shares from Charter Consolidated in 1979 when the Anglo American group was last restructured and Charter, in its turn, acquired them in the early 1960s from other group companies which were merged to form Charter.

Johannesburg brokers say the Anamint shares are crucial to the centralised control of the Anglo/De Beers group.

Rand Mines bucks trend in second quarter

BY OUR JOHANNESBURG CORRESPONDENT

THE FOUR gold mines managed by the Rand Mines group of South Africa defied the industry trend of sharply rising unit costs in the June quarter.

Blyvooruitzicht and Durban Deep reduced their average costs of mining and processing each ton of ore, while East Rand Proprietary Mines (ERPM) and Harmony held quarter-on-quarter unit cost increases to less than 4 per cent, in part because of increases in production.

The group's cost reductions contrast with quarter-on-quarter increases of as much as 18 per cent reported last week by mines managed by Gold Fields of South Africa.

	GOLD MINE QUARTERLY RESULTS		After-tax profit		Earnings (cents per share)	
	June 87	March 87	June 87	March 87	June 87	March 87
Blyvoor	3,024	2,945	14.48	13.87	43.4	46.4
Durban Deep	1,779	1,748	1.77	1.70	(144.4)	(135.3)
ERPM	2,186	2,135	(15.42)	(16.29)	(473.1)	(388.8)
Harmony	7,343	6,761	44.64	31.73	44.2	37.8

Earnings per share calculated after capital expenditure. Figures in parentheses are negative. ERPM made after-tax losses in both quarters. Durban Deep's capital spending exceeded mined profit in both quarters.

However, Johannesburg stockbrokers believe the Rand Mines results are not an indicator of the likely performance of other gold mines which are due to report later this week. They point out that lower production had lifted unit costs sharply at Blyvoor, ERPM

and Durban Deep in the March quarter, and that the June performance is due to restoration of production.

ERPM continued to suffer operating losses and to spend heavily on capital projects needed to open new mining areas and increase pro-

duction rates, which will allow the mine's life to be extended into the next century.

Durban Deep was not affected by the equipment breakdowns which plagued operations in the March quarter. The mine's plant and equipment are particularly old, but management has not discouraged analysts' belief that the mine will eventually open virgin ground in the southern part of its property and establish new shafts and processing facilities when it does so.

Blyvooruitzicht's management has estimated that the mine will exhaust its remaining ore sometime between 1991 and 1994.

Better bottom line for Orient Overseas

BY KEVIN HAMLIN IN HONG KONG

ORIENT OVERSEAS Holdings, the publicly listed arm of the C. H. Tung shipowning group, which was saved from collapse by a US\$2.8bn capital restructuring completed in January, recorded an operating loss after interest of US\$81.1m last year, compared with a \$4.0m deficit in 1985.

Orient showed an operating

profit before interest of \$7.5m last year, down from \$7.0m but meeting the challenge of the future.

Mr Bob Chase, financial controller, added: "The group has been trading profitably at the bottom line since the restructuring was completed." Turnover would reach \$1.2bn this year, he forecast, slightly up on the 1986 figure.

According to Mr Chase, the recovery of freight rates since the middle of last year, good load factors on Pacific operations, and steady bunker prices, augur well for the group's performance this year. Analysts say the group could return a net profit in excess of HK\$230m (US\$29.5m).

Sumitomo Electric group net profits improve 22%

BY YOKO SHIBATA IN TOKYO

SUMITOMO ELECTRIC Industries, Japan's largest manufacturer of electric wire and cables, together with its 15 subsidiaries and 34 affiliates yesterday reported improved group net profits of ¥16.69bn (\$110.8m) for the year to March, up 22 per cent.

Strong earnings of subsidiaries such as Sumitomo Denso and Sumitomo Denetsu, as well as contributions from equity-accounted affiliates such as Sumitomo Rubber, helped produce the good showing. Consolidated net profits were 1.35 times the result recorded for the parent company alone compared with 1.20 times in the previous year.

The group scored an increase of only 3 per cent in consolidated turnover to ¥731.67bn however, affected by poor demand for products of the parent and seven subsidiaries. Consolidated pre-tax profits showed a meagre 0.3 per cent rise to ¥81.06bn. The higher growth in net profits was

attributed to an earnings recovery at Sumitomo Rubber's overseas subsidiaries, boosting equity income by 47 per cent overall to ¥1.9bn.

For the current year, consolidated net profits are projected to emerge slightly lower at ¥16bn, despite a rise in turnover to ¥740bn.

At Takeda Chemical Industries, Japan's leading producer of pharmaceuticals, boosted group net profits by 22.3 per cent to ¥28.41bn in the year to March on sales up by just 5.6 per cent to ¥571.46bn, adds our financial staff.

On a pre-tax basis, profits of ¥65.76bn were a more modest 11.7 per cent higher. Group net earnings per share were stated as ¥34.46 compared with ¥30.02.

The Japanese drug industry has been benefiting recently from new product launches as well as a reduction in pressures from the authorities to curb prices for supplies to state hospitals.

Kubota earnings jump

BY OUR TOKYO STAFF

KUBOTA, Japan's leading manufacturer of agricultural equipment and industrial pipe and machinery, showed a 62.9 per cent jump in consolidated net profits to ¥12.46bn (\$82.7m) for the year to April 15.

This was achieved despite sales for the year falling by 1.5 per cent to ¥646.4bn, and Kubota attributed the good earnings outcome to "aggressive cost-cutting efforts throughout the company."

Net profits per American

depository share were given as ¥188 compared with ¥113. The consolidated result reflected performance of seven subsidiaries and 127 equity-accounted affiliates.

Export sales for the year dropped by 18.8 per cent, affected by the continued strength of the yen against the dollar. Only the housing related equipment sector performed well, with a rise of 19.7 per cent. Exports represented 17.1 per cent of total sales, down from 20.7 per cent in the previous year.

U.S. \$300,000,000



Crédit Lyonnais

Subordinated Floating Rate Notes Due 2000

Interest Rate 7 1/4% per annum
Interest Period 13th July 1987
13th January 1988
Interest Amount per U.S.\$10,000 Note due 13th January 1988 U.S.\$370.55

Credit Suisse First Boston Limited
Reference Agent

BRITANNIA BUILDING SOCIETY

£100,000,000

Floating Rate Notes Due 1993

(Including £25,000,000 Floating Rate Notes due 1993 and £75,000,000 Floating Rate Notes due 1993 issued on 14th July, 1987, consolidated and forming a single series of notes)

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 14th July, 1987 to (and including) 14th October, 1987, the Notes will carry a rate of interest of 9 1/4% per cent. per annum. The relevant Interest Payment Date will be 14th October, 1987. The Coupon Amount per £10,000 will be £284.75, payable against surrender of Coupon No. 57.

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REPUBLIC NEW YORK CORPORATION

U.S.\$100,000,000

FLOATING RATE SUBORDINATED NOTES DUE JULY 2010

Notice is hereby given that for the period from July 14, 1987 to October 14, 1987 the Notes will carry an interest rate of 7 1/4% per annum. The interest payable on the relevant interest payment date October 14, 1987 will amount to US\$182.08 per US\$10,000 Principal Amount of Notes.

July 14, 1987
THE CHASE MANHATTAN BANK, N.A.
LONDON, AGENT BANK

Banca Nazionale del Lavoro International

(Incorporated as a Société Anonyme in the Grand Duchy of Luxembourg)

Japanese Yen 6,000,000,000

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Issue Price 81.94 per cent.

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23rd June, 1987

FLEMINGS JUNE

CapCo in £59m Australian property deal

CAPITAL & COUNTRY: UK developer owned by a subsidiary of the South African Life Assurance Association, is behind a new Australian property unit trust. The unit trust is raising A\$100m (£20m) through a placing of 4.4 million units at A\$1 each.

By Gail Connolly

By Robert Fleming, who is going to Australia. The properties are in low cost regional office centres rather than central business districts.

THE INDEPENDENT, 12.6.87
Flemings were sole manager and broker to the issue outside Australasia, placing 30 million units.

Dairy Farm success in Kwik-Save offer

BY MARK TAYLOR

Dairy Farm International, the Hong Kong-based food retailing, manufacturing and wholesaling group, looks to have succeeded with its £147m partial tender offer for a 25 per cent stake in Kwik-Save, the UK discount food retailer.

Robert Fleming, which handled the tender for Dairy Farm, said last night that they believed the offer had been over-subscribed and that applications would be accepted on a "first come, first served" basis.

FINANCIAL TIMES, 1.7.87
Flemings helps DAIRY FARM to complete the largest successful tender offer of recent years.

Placing puts £28.2m value on Lancaster

CAR dealer Lancaster is relying on a high proportion of up-market cars to support an above-average rating as it joins the stock market on a historic earnings multiple of 16.5.

Robert Fleming has arranged a placing of 4.4 million shares — 25.7 per cent of the equity — at 64p each. This offer is for the dealer's 25.7 per cent stake.

Nick Lancaster, managing director, said the cash injection would enable the company to move into the trading group, will retain a 60 per cent stake. It bought into the company in 1981 for £2.5m. The Lancaster family, which started the company in 1969, will hold 14 per cent of the enlarged equity.

THE INDEPENDENT, 27.6.87
Flemings sponsors LANCASTER'S full listing via a £7.3m placing.

Redfearn expands into packaging

BY DAVID WALLER

Redfearn National Glass yesterday announced a significant acquisition with the £19.5m purchase of a flexible packaging and plastics manufacturer from Bunzl. The current year would be no less than £10m, excluding any contribution from the acquisition.

at £20p, a 65 per cent expansion of the company's equity.

Mr. Arthur Church, Redfearn's chief executive and principal architect of the company's recovery from losses in 1984, said that he had been looking for a "third leg" to the company's business for some time.

FINANCIAL TIMES, 30.6.87
Flemings client REDFEARN expands, with a successful £19.5m acquisition.

Rivlin in £28.2m deal for Mayfair & City

RIVLIN, the property company headed by Martin Landan, has agreed terms with Sidney Cross's Mayfair & City Properties, under which Rivlin will acquire the whole of the issued share capital of Mayfair for a total consideration of £28.2 million.

Terms of the offer are £75.00 in cash, £117.46 nominal of loan notes and £41.66 nominal of convertible loan stock for every 100 Mayfair & City ordinary shares held. The offer values each Mayfair & City share at 235p compared with yesterday's closing price of 225p.

Accepting shareholders will receive their consideration in loan notes as to 50 p.c. of the consideration and

DAILY TELEGRAPH, 19.6.87
Flemings client RIVLIN acquires City & Mayfair Properties.

Suter wins contest for Mitchell Cotts

By Mike Smith

THE BATTLE for control of chemicals and engineering group Mitchell Cotts ended last night when the company's board announced it was dropping its opposition to a £77m takeover by Suter.

The director's recommendation that shareholders should accept Suter's share-only offer came after a five week struggle to keep the company independent.

In recent weeks it had become increasingly obvious that they were fighting a losing battle and focus had switched to whom they could force Suter

FINANCIAL TIMES, 27.6.87
A successful takeover for Flemings client SUTER.

Magnum opus for Flemings at Phicom

STOCK MARKET

by Stephen Hargrave

INNOVATIVE underwriting operations enabled Flemings to arrange a management buy-in at PHICOM.

THE LONDON EVENING STANDARD, 14.5.87
Flemings arrange management buy-in at PHICOM.

It looks especially feeble against Robert Fleming's deal for Valin Pollen, also to acquire an American business of 700 stores, which will acquire the founders' controlling interest over half the business. Shareholders' interests will be sought to be put up the cash.

Fleming seems to have set several impressive firsts with the deal, as the price of the share issue, to be fixed this morning, will be over £4, against a suspended price of 200p. Because the company issue splits into a firm placing and a conditional one with a clawback.

Underwriting commission, for a full six weeks, is 1p.c. on the clawback, and precisely zero on the firm placing. There is a reason here, surely, for the Government's underwriting of BAA.

DAILY TELEGRAPH, 23.6.87
Innovative underwriting enables Flemings client VALIN POLLEN to acquire a larger US company.

Sit tight with the Abdullahs

WHERE MAY be more to go for in Evered, where the shares now stand at 240p after a 7p jump last Friday. The Abdullah brothers and their team should extract considerable benefits from the London and Northern businesses, some of which may soon be sold while Hallite sits well with Eyn.

SUNDAY TELEGRAPH, 14.5.87
Flemings client EVERED acquires Hallite.

The Great English Summer may have started this year as something of a washout.

But for Flemings, at least, the business climate was anything but dull.

In thirty of the wettest June days on record, our Corporate Finance teams successfully helped Flemings clients in no fewer than fifteen significant deals totalling some £600m.

They included recommended offers, a contested bid, several placings, a new issue, the largest successful tender offer of recent years, a manage-

ment buy-in and the launch of an important new property trust. (And several highly innovative underwriting operations which others, no doubt, will shortly be trying to copy.)

The message, at least, is clear.

If your business could benefit from the advice and support of one of the most successful and sought-after Corporate Finance teams in the City, please call Lawrence Banks on 01-638 5858.

We can brighten your financial outlook considerably.

FLEMINGS ACTED IN THE FOLLOWING DEALS TOTALLING SOME £600m.

Anglo United's acquisition of LCP Fuels
Capcount Property Trust launch
Dairy Farm's tender offer for Kwik-Save
Evered's recommended offer for Hallite
FKI's recommended merger with Stone International
Harold Ingram's acquisition of Readson & Cox Moore
Lancaster - full listing and placing
Phicom management buy-in
Reabrook - recommended offer from Yule Catto
Redfearn's acquisition of Bunzl Flexpack
Rivlin's recommended offer for Mayfair & City Properties
Spong Holding's recommended offer for Norank
Suter's successful bid for Mitchell Cotts
Valin Pollen's acquisition of The Carter Organisation
Walker Greenbank's acquisition of Wilcomatic

FLEMINGS

INTERNATIONAL INVESTMENT BANKING

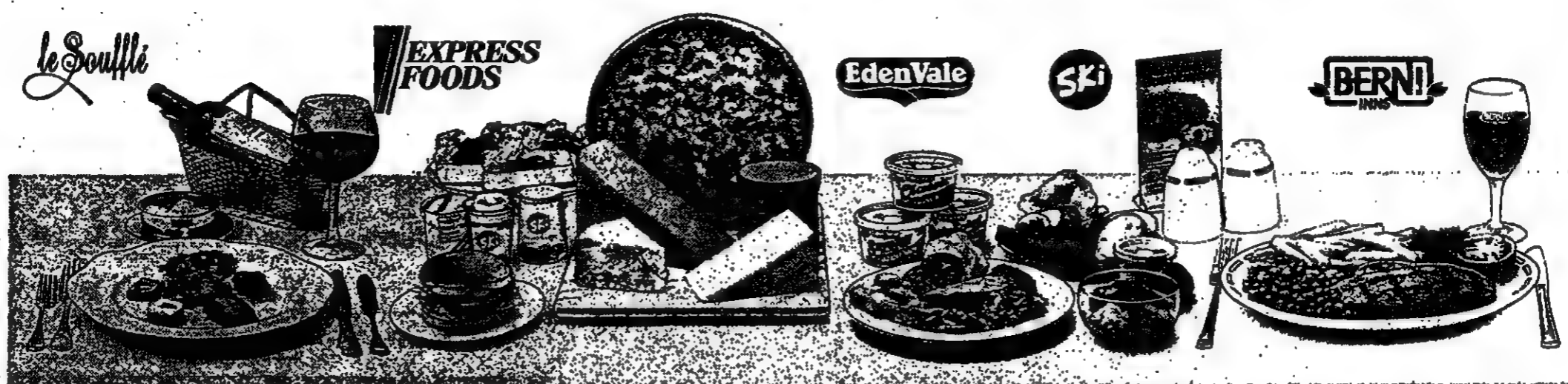
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Robert Fleming & Co. Limited, 25 Copthall Avenue, London EC2R 7DR, Tel: 01-638 5858, Telex: 297451

Grand Metropolitan's 25th Birthday Celebrations raise a number of questions



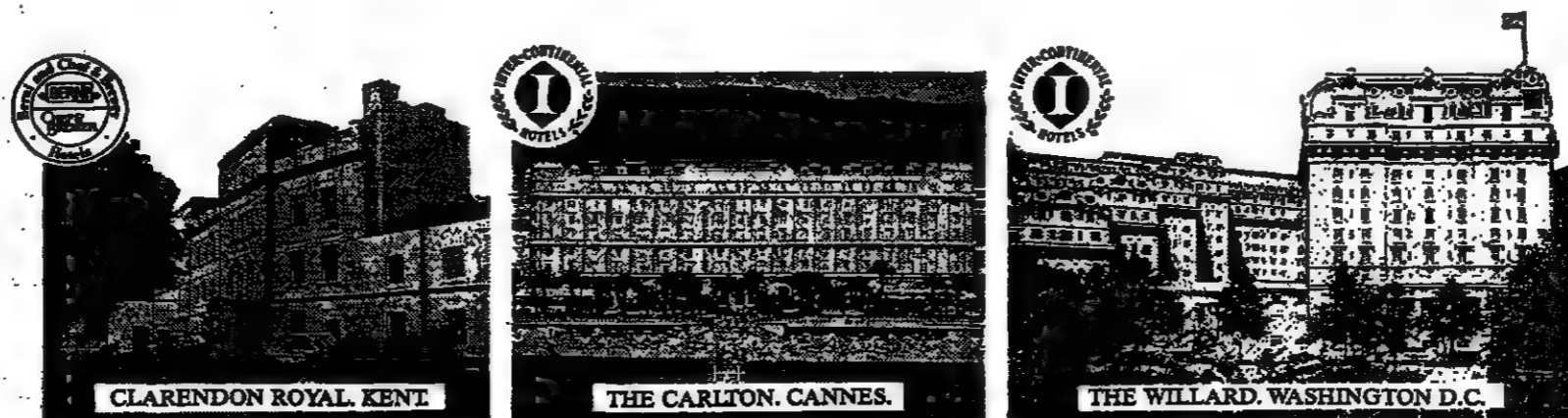
Where to hold the party?



What to eat?



What to drink?



Where to go afterwards?

Few companies have more of the ingredients for a celebration than us. We have the best venues, the finest food, the widest choice of drinks.

And with well over 100,000 of us worldwide, we have enough people to guarantee it goes with a swing.

The choice of toast, on the other hand, is much easier.

To the ladies and gentlemen who've made our first 25 years such a success: Our Customers.

GRAND METROPOLITAN

....adding value

UK COMPANY NEWS

Wickins acquires 29.9% of Scanro

By Richard Tomkins

Shares in Scanro, the USM-quoted wind-turbine board manufacturer, shot up from 135p to 285p yesterday on the news that Mr David Wickins, the chairman of British Car Auctions, had acquired a 29.9 per cent stake in the company with an associate, Mr John Knox, and others.

The shares were acquired from DNA, a Jersey-based investment company which has backed Scanro since 1982. The result is to cut DNA's holding in Scanro from 37.9 per cent to 7.9 per cent.

The price paid for the shares has not been disclosed, but it is believed to have been around the 90p level at which they were trading in the first part of last week. The price took off on Thursday.

Mr Wickins was abroad yesterday and could not be contacted. Strauss Farnhill, Scanro's stockbroker, said they thought his intention was to use the company as a vehicle for further acquisitions.

Scanro came to the USM in August 1984 through a placing of shares at 105p by stockbrokers Grieson Grant. At first it made good progress, but dumping in its key markets by bankrupt European manufacturers helped send pre-tax profits reeling from \$550,000 to \$276,000 in the year to last December.

Harvard buys 7.4% stake in Rock

Harvard Securities, the over-the-counter market maker, yesterday bought a 7.4 per cent stake in Rock, the motor parts and tools distributor.

Rock also announced that Mr Trevor Chinn, a director, had sold his 1.76m shares (8 per cent) and was resigning from his non-executive post on the board.

The company said that Mr Charles Mitchell, director of corporate finance at Harvard, had been invited to join the board as non-executive director.

Zygal profits of £811,000 after re-stated loss

Zygal Dynamics, the computer products company, showed a sharp improvement last year with pre-tax profits of £811,000 against a previous, re-stated, loss of £2,000.

The directors said that liquidity would continue to improve due to the positive cash flow of the group. Base-Sys, which was acquired last March, had a large part of its income already assured from long term agreements whilst prospects for traditional distribution and data communication businesses were good.

Prospects for the modular technology laser communication system were excellent, the directors continued, sales having more than doubled in the past year. The recently announced distribution agreement with Bull SA was particularly important, they said. Agreement would make available

able to company additional products to strengthen existing convergent technologies products marketed by the company.

Turnover increased last year from £4.9m to £8.79m and the cost of sales was £4m up at £3.82m. Other operating expenses rose from £1.96m to £2.16m leaving an operating profit of £212,000 (£131,000). There were no exceptional debits this time (£75,000) and net interest payable was down from £77,000 to £40,000. Tax took £183,000 (£20,000 credit) leaving earnings for the USM quoted company up from 0.2p to 6.8p per 5p ordinary. There were extraordinary credits of £98,000 (£258,000 debit).

The dividend is doubled from 0.5p to 1p per share.

comment
Zygal has not been one of the

USM's spectacular successes; it has substantially underperformed the market since it joined in 1981. Two years ago, it looked a good bet to be swallowed up by a larger group but instead it has taken action to improve itself by shedding the personal computer and maintenance divisions and buying Base-Sys. The latter, which provides on-screen information to insurance brokers is proving an excellent cash cow and with the help of the disposal proceeds, the balance sheet and the quality of earnings have both been transformed. Overall, an encouraging recovery and though the shares dropped 10p yesterday to 135p, the prospect of a further improvement to £1.3m pre-tax this year means that they do not look overvalued, on a prospective p/s of 14.5.

GT's fourth partial unitisation

By Nikki Tait

GT, the fund management company, yesterday put forward partial unitisation proposals for The Northern Securities Trust, a £40m investment trust which it manages.

It will be the fourth GT-managed investment trust to disappear from the stable this year, the others being the much larger US Debenture Corporation, Berry Trust—both of which implemented similar partial unitisation schemes—and GT Global Recovery which was

taken over.

GT is now left with two investment trusts—GT Japan and Nordic—both specialist funds and for which the management company says it has no similar plans. The changes mean that the proportion of GT's funds under management in investment trusts has dropped from around 15 to 5 per cent. Also, the investment trusts have historically been sizeable holders of GT shares, and this "in-house"

percentage has come from 43 per cent 15 months ago to under 7 per cent. During that time GT itself has launched on the stock market.

Shareholders in Northern will be offered either units in a choice of unit trusts and/or shares in a new investment trust—in line with the Berry and USDC schemes.

Yesterday shares in Northern rose 11p to 354p, net asset value is currently put at around 365p.

Jarvis figures boost defence

By Philip Coggan

J. Jarvis, the building group company, yesterday issued its defence document describing the offer as "confused and totally inadequate."

The company also announced a jump in pre-tax profits for the year ending March 31 1987 from £55,000 to £723,000.

Brookville, which is a vehicle for Mr Harvey Bard, a London property investor, made its £7.50 per share cash offer after it took its stake over 29.99 per cent, thereby triggering the pro-

visions of the Takeover Code requiring it to make a full bid.

Jarvis share price quickly shot above the offer price and currently stands at 805p.

Mr Bard made an unsuccessful attempt to join the Jarvis board at the group's annual meeting in October. He intends to retain the group's listing, if the bid is successful.

executive chairman and Mr Jack Rouiller joined the board to carry out a review of the company's operations.

Mr Rouiller recommended that the company should rationalise its property portfolio and concentrate more on construction.

Several properties have been sold. The pre-tax profits were achieved on turnover up 34 per cent at £36.8m (£28.2m). After tax of £261,000 (£53,000 credit), earnings per share were 45p (10.1p).

Provisions leave net loss for NatWest US

By David Lescallé, Banking Editor

National Westminster Bank USA, the US subsidiary of the NatWest Bank, made a net loss of \$203.3m in the second quarter of this year, it registered the impact of the group's recent decision to make a large against Third World loans.

NatWest's USA's provision amounted to \$230m, being its share of the total of \$466m which the NatWest group announced it was making last month. NatWest, which will be announcing its interim results on July 28, has said it still expects to make a profit for the group as a whole for the first six months of this year.

NatWest USA's second quarter results were also reduced by the reclassification of certain foreign loans, notably to Brazil and Ecuador, where full interest was not being paid. The bank said that extending the provision, net income for the second quarter would have been \$16.7m, down from \$17.4m in last year's second half.

NatWest USA said that the growth in core earnings reflected higher domestic loan and retail deposit volumes and a substantial increase in non-interest income, which was up 22 per cent in the second quarter to \$32.5m.

The group's total assets rose to \$11.3bn from \$10.4bn over a year, but equity capital declined to \$435.4m from \$586.1m.

Panel waives Acis bid

By Nikki Tait

THE TAKEOVER Panel has waived the requirement that Windstorm Investments, the British Virgin Island-incorporated company, makes a full bid for Acis Jewellery, the small UK retailer where it acquired a 46.4 per cent stake last month.

Windstorm, which is controlled by the family trusts of South African businessman Mr Darryl Phillips, bought its stake at 20p a share but has subsequently seen the price soar to 453p. In the light of this, the Panel has dropped the full offer obligation, but says its decision will be reviewed should the Acis price fall substantially in the next three months.

Goode Durrant trebles interim profit to £2.6m

Goode Durrant, the trade finance, banking and property group, increased pre-tax profits more than three times from £780,000 to £2.57m for the six months ended April 30.

The directors said that attributable earnings from all operating divisions were higher than the same period last year. The interim figures do not include the profit from the sale of 1.75m shares in Perry Group in May.

Turnover rose from £38.37m to £49.52m and attributable profit jumped from £168,000 to £1.86m after extraordinary items bringing a credit of £36,000 (debit £107,000) and minorities of £275,000 (£282,000).

Earnings per share were 5.5p (1.1p). The actual number of shares in issue on April 30 was 38.52m (24.09m). (Earnings per share is based on the weighted average number in issue through the six months to April 30 which was 32.51m.)

There will be no interim dividend.

comment

Goode Durrant is not the first company to find itself with an Antipodean or South African entrepreneur on board, but it must be one of the first to have both. The South African, Michael Waring, stepped in two years ago, and these results are largely the product of his rationalisation of the group's four main divisions. The New Zealand, Bruce Judge, arrived in July 1986 in the shape of his investment vehicle Ariadne Australia, which one way or another holds 50.8 per cent of Goode Durrant's shares; Mr Judge's contribution has been an injection of £21m into the balance sheet in exchange for some of that stock. With total liquid resources of around £35m, the strategy now is to add on piecemeal to the existing activities while searching for a major

acquisition in a new area, probably distribution. The interest on the cash and a £2m profit on the sale of the Perry stake should put £7m within reach this year, but beyond that the acquisition policy will have to be put to work if the prospective p/s multiple of 19 is to be justified.

TRACTESEL and Grouse Bruxelles Lambert announced they acquired at 315p per share, 10,995,375 Contibel ordinary (7.7 per cent). When added with their original holding Tractebel and GBL now own 74,559,135 (52.4 per cent).

By 3 pm on July 9 1987, Tractebel and GBL had received acceptances from holdings of 11,909,183 ordinary (7.7 per cent). Accordingly Tractebel and GBL now owned or had received acceptances in respect of 85,568,298 Contibel ordinary (60.2 per cent). The offer remains open for further acceptances until July 27.

A FINANCIAL TIMES SURVEY SUISSE ROMANDE

The Financial Times proposes to publish a survey on the French speaking part of Switzerland on September 25th. Among the subjects under review will be:

- ★ Banking and Finance
- ★ Industry
- ★ Culture, tourism and leisure

for full details, please contact:

Gunter Breitting
Financial Times (Switzerland) Ltd, 15, rue du Cendrier, 1201 Geneva
Tel. 022/311 604 telex 22589

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

The content size and publication date of surveys in the Financial Times are subject to change at the discretion of the Editor

This announcement appears as a matter of record only.

May 29, 1987.



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U.S. \$400,000,000

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The Iyo Bank, Ltd.
Sparebanken Sor
Kuwaiti-French Bank

The Juroku Bank, Ltd.
Sparebanken Sor
Kuwait Real Estate Bank K.S.C.

Agents

The Mitsubishi Bank, Limited
Arab Banking Corporation (ABC)

This announcement appears as a matter of record only.

JUNE 1987



Western Australian Treasury Corporation

Guaranteed by

The State of Western Australia

U.S. \$400,000,000

Eurocommercial Paper Programme

Dealers:

Citicorp Investment Bank Limited

Credit Suisse First Boston Limited

Issuing and Paying Agent:

Morgan Guaranty Trust Company of New York, London Branch

This announcement appears as a matter of record only.

May 1987



ŞEKERBANK T.A.Ş.

U.S. \$10,820,000

Financing under Letter of Credit

U.S. \$7,700,000

Financing under Letter of Credit

arranged by

American Express Bank GmbH

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American Express Bank Ltd.
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Crédit Agricole (Deutschland) AG

Banque de l'Union Européenne

Agent

American Express Bank GmbH

UK COMPANY NEWS

KCA Drilling profit halved to £2m

KCA Drilling Group's pre-tax profits dropped sharply from £4.4m to £2m for the year ended December 31 1986. Turnover was also down, from £38.7m to £30.3m.

Sir Monty Finniston, chairman, said that although the consequences of write-downs in 1985 and 1986 might appear severe, the company believed that with the disposal of the drilling ship KCA Kingfisher (which the company would continue to manage) and the placing of the Jackup KCA Sandpiper on a contract of reasonable duration, the group was well placed to ride out the remainder of the current troubles affecting the oil industry.

Admitting that 1986 had been "one of the most testing years in the group's history," Sir Monty said: "We now feel, in our 20th year of operation, we can look forward to the future with a sense of restrained optimism."

The company's platform drilling operations have continued "satisfactorily" for Mobil, BP and North Sea Sea Oil.

In addition, the company has recently been awarded a contract in the UK sector of the North Sea on behalf of a Shell/Esso joint venture to provide personnel for its Cormorant "A" and Eider platforms.

"With this contract," said Sir Monty, "KCA will become amongst the largest platform drilling contractors in the UK sector of the North Sea."

The board is seeking to increase the company's borrowing powers to permit the company to borrow up to a maximum of either five times the company's share capital and reserves, or £28m, whichever is greater. An extraordinary general meeting is to be held as soon as possible for shareholders to vote on the issue.

Gross profit was £10.27m (£10.59m), administration expenses £2.27m (£2.78m), interest payable £3.55m (£3.55m), charges £3.55m (£3.55m), share of partnership loss £2.45m (£2.72m) and exceptional debt £813,000 (£702,000 credit). Tax was down from £1.59m to £522m.

After extraordinary charges of £7.3m (£28.25m) the net loss for the year was £3.8m. Earnings per share were 1.9p (3.2p).

Again, no final dividend was proposed for the year.

comment

To the uninitiated, KCA's results might appear a catalogue of write-downs by half, and proposed asset sales leading to write offs so heavy that the company will have to change its Articles of Association to permit such giddy levels of gearing. But the market took the opposite view yesterday, and shares at one point

jumped nearly 100 per cent before closing 14p higher at 37p. Initiated shareholders were so pleased at the prospect of getting shot of the unemployed drilling ship and its £16m plus of borrowings—which have been crippling the company for the last few years—that a further write down of £5.8m was a price they were happy to pay. Meanwhile, prospects for the rest of the business are also looking up since year end, as the rising oil price has injected some life into the offshore market. The two year BP contract for the Sandpiper will at worst stem the losses made last year when it was without work, while the Shell contract is also more than welcome. However, there remains a chronic oversupply of rigs and with no sign of a big bounce in day rates, yesterday's burst of market enthusiasm may be difficult to extend.

Price tag of £14.8m for Graham Motor

By Philip Cogan

Graham Motor, the car retailing, fleet sales and contract hire group, has announced details of its flotation on the Unlisted Securities Market. Barclays de Zoete Wedd and Charles Seel are placing 2.5m shares, 33 per cent of the company, at 140p each, valuing the company at £14.8m.

Just over half the shares being issued are new and will be used to increase working capital and to modernise the facilities at a dealership in Stroud.

Based on the pre-tax profit of £1.73m on turnover of £32.9m in the year to March 31, the shares are on a p/e of 11.5 at the placing price.

Kleen-E-Ze reorganisation pays off as profits rise to £0.9m

PRE-TAX PROFITS at Kleen-E-Ze Holdings, the Bristol-based manufacturer of energy saving devices, brushes and cleaning products, increased from £223,549 to £220,478 in the year to March 31 1987. The dividend is unchanged at 6p net.

The directors said they were looking forward with confidence as the momentum created by the reorganisation two years ago, gathered pace. They said the advance in profits was achieved by improved efficiency and better use of the group's assets, and that had continued into the current year.

Another successful year was

had by the industrial division, and it was now firmly established as a leader in the manufacture of strip-brush. During the year, the range of products was extended to include cleaning chemicals manufactured by Dalton Young.

Progress was made in the plastics division through the introduction of the Sundt trigger pump dispenser. The division has doubled its manufacturing capacity by the installation of a second robotic assembly machine.

This was a significant item of capital expenditure for the group, but the division is now

poised for a major advance in this sector of the packaging industry.

Group turnover for the year rose from £18.08m to £17.42m. Gross profit amounted to £3.8m against £7.62m but distribution costs rose from £4.85m to £5.17m. Administration expenses came to £2.09m (£1.94m). There was other income of £184,066 (£95,571) and interest payable was £309,588 compared with £400,796.

Stated earnings per 25p share improved from 14.86p to 23.77p.

Jurys Hotel profits and turnover suffer downturn

Jurys Hotel Group, the Dublin-based hotel company, saw pre-tax profits fall slightly from £11.86m (£1.69m) to £1.61m on turnover down from £18m to £15.73m in the year to April 30 1987.

The directors proposed a final dividend of 2.25p, making

3.75p for the year. Last year a total dividend of 3.5p was paid as an interim. Earnings per share were down from 10.8p to 5.6p.

Trading profit fell from £2.25m to £1.47m. Net interest charged was £141,000 against £391,000 receivable. Tax took £425,000 (£151,000).

N. England joint venture

New England Properties is to form a joint venture with Hunting Group to own a long leasehold interest in St James's Street, London SW, a development already being project managed by NEP. Its interest will comprise £1m of preferred capital and a one-third equity share.

The joint venture is subject to agreement on the assignment of the leasehold interest in the development from the present partnership of Friesch-Gron-

ingsche Hypotheekbank and Hunting.

The intention is to sell or syndicate ownership of the property once letting is completed.

SHARMA WARE is to acquire Telsport, a manufacturer, for an aggregate consideration of £650,000. The consideration, payable on completion, will be satisfied by the issue of 69,149 new Sharma ordinary shares and a maximum cash payment of £520,000.

Peek Holdings pays £3.8m for Husky

Peek Holdings, the shell company acquired last August by South African industrialist Mr Kenneth Maud, has bought Husky Computers from Addison Consultancy, the advertising and marketing group, for £3.8m.

The acquisition marks a second stage in the development of Peek into a mini-conglomerate specialising in medium-to-high technology industries. Peek's first acquisition, of Saratoga Technology for £27m, was completed in March.

Husky makes hand-held micro-computers for military, industrial and commercial use and turned in pre-tax profits of £190,000 on turnover of £4.6m in the year to last December.

It was acquired by Addison along with its parent, Aldcom International, last October. Peek will pay for the purchase through a vendor placing of £3.8m new ordinary shares at 148p. Its existing shares closed 3 1/2 up at 155 1/2.

Robert Horne to purchase Atkins & Cripps

Robert Horne Group has entered into an agreement to acquire the whole of the issued share capital of S. J. Atkins & Cripps for £3.4m. Atkins & Cripps are importers and merchants of hardwood.

Net tangible assets were £2.87m at June 30, 1986, and pre-tax profits for the year were £413,547. The directors of Robert Horne see the acquisition as a diversification into a business sufficiently related to its existing activities to draw on its management expertise in merchandising and distribution.

The purchase consideration is to be satisfied by the allotment of 950,000 new non-voting "A" ordinary in Robert Horne, fully paid.

The shares were placed on Friday at 424p. They will not rank for the interim dividend in respect of the year to September 31, 1987.

SHARE STAKES

THE FOLLOWING changes in share stakes were announced during the past week.

Next — Director Mr J. T. Rowley exercised an option on 30,000 shares and disposed of them at 35p. H. J. Hann, also a director, disposed of 25,000 shares at 35p.

James Neill Holdings — On June 29 following directors, together with J. H. Withinshaw, managing director of Stubs Welding, a wholly-owned subsidiary, exercised their right to acquire ordinary at 57p under a share option scheme. P. B. Bullock 125,000; G. H. N. Peel 62,500; E. Bolam 30,000; T. Harris 20,000; C. T. Harrison 15,000, and J. W. H. Withinshaw 15,000. On July 8 the following sold shares at 26p: P. B. Bullock 115,000; G. H. N. Peel 62,500; E. Bolam 30,000; T. Harris 8,500 and J. H. Withinshaw 15,000.

Bett Bros — Chairman Iain C.

Bett purchased 40,740 ordinary at 124p on July 10.

C. L. Group — On July 8, chairman P. H. R. Kettle purchased 50,000 ordinary, and now holds 124,422 shares.

PWS Holdings — Mr M. E. M. Person, non-executive chairman, has sold 750,000 ordinary from his beneficial interest and 200,000 ordinary from his non-beneficial interest at 36p on July 9. These shares have been placed with institutions.

He now has a beneficial interest of 1m ordinary.

Valor — Director M. J. Montague's shareholding has increased from 48,068 to 185,500.

Newcastle — Sir Robin McAlpine, a director, sold 100,000 ordinary.

Retaprint — On July 7 M. B. Manz sold 1m ordinary at 10p.

On July 8 A. J. Crates sold 1m ordinary at 10p/7p. On July 9 C. C. Howe sold 1m ordinary at 10.4275p. On June 29 D. A.

Corrigan sold 987,957 ordinary at 9p.

General Electric Company — Lord Weinstock, a director, ceased to be interested in 100,000 ordinary upon their transfer from him. M. Lester, another director, became interested in 100,000.

CALEDONIA INVESTMENT — The Lord Cayer, a director, disposed of 300,000 ordinary stock units by way of gift.

TYZACK TURNER GROUP — Miss M. W. Tzack disposed of 20,000 ordinary at 35p and now holds 317,880 shares (5.33 per cent).

ASSOCIATED BRITISH ENGINEERING — Director M. J. Barry disposed of 200,000 ordinary on July 8 at 13p and now holds 34,478 ordinary and 13,965 8 per cent convertible preference shares.

Great Portland Estates — On June 29 director Daniel Desmond sold 200,000 shares at £3.08.

APPOINTMENTS

Scandinavian Bank changes

Mr Douglas M. Johnson, a managing director of SCANDINAVIAN BANK GROUP, will be retiring on September 1. Mr Michael J. Jeffery will join the group on September 1, 1987, as managing director of Scandinavian Bank in the US and in that position is responsible for treasury and capital market activities in North America. Mr Jeffery, who is British, was previously head of global treasury management at the Marine Midland Bank in New York.

PREVIEW DATA SYSTEMS has appointed Mr Peter Morgan financial director. He joins from Darbhon Specialised Mouldings, where he was the commercial director.

Mr Christopher Barton, formerly national sales manager for

Redland Bricks, has been appointed sales and marketing director of GUILDWAY, part of the Decan Kelly Group.

PRIMAT has appointed Mr John Brown its chairman. He was chief executive of the Broders Price Group.

THE CHILLINGTON CORPORATION has made the following appointments: Mr P. A. Yates and Mr Alan Chalmers, chairman and managing director respectively of The Chillington Tool Company; Mr Dennis Inray, managing director of The Chillington Tool (Thailand) Co. Mr Rolfe Barnes and Mr Alan Chalmers, directors of BOET; Mr Colin Ward, production director of The Chillington Tool Company (Uganda).

ADM GROUP has appointed Mr Brian Knightley as a non-executive director. He is assistant managing director of Babcock International.

At SAINSBURY'S Mr Peter Ingham is appointed departmental director—construction to succeed Mr Roy Lindsey on his retirement at the end of this year. On taking up this appointment Mr Ingham will retain his responsibility as chief engineer.

HAREFIELD RUBBER has made the following management appointments: Mr Barry Giddings, group chief executive; Mr John Lewis, managing director floor division; Mr Eric Marper, managing director door division, and Mr Roy Canning, sales director, door division.

MATTHEW HALL has been appointed Sir George Jefferson to the board as a non-executive director. Sir George is chairman of British Telecommunications and a director of Babcock International and Lloyd's Bank.

ST. BERNARD PLASTICS has appointed Mr Brian Trubshaw as an aerospace consultant to assist the company's expansion in the manufacture of composite structures within the aerospace industry.

Mr Leopoldo Sassone has been elected president and Mr Ron Ludwick vice president of the BRITISH CABLE MAKERS CONFEDERATION, representing UK manufacturers of wires and cables for the transmission and distribution of electric power and communications.

Mr Norman Hunter Smart has been appointed as chairman of CHARTERHOUSE DEVELOPMENT CAPITAL FUND following the resignation of Mr Kenneth Morgan. Mr Smart is a former senior partner of Hays Allen, and a former president of the Institution of Chartered Accountants of Scotland.

FLOYD OIL PARTICIPATIONS has appointed Mr Garry Frier its finance director. He has worked for County NatWest since 1978 in a specialist financing capacity and upon taking up his appointment with Floyd will resign from the board of County NatWest.

Expansion of the MELVILLE CONSTRUCTION division has resulted in the following appointments: Mr Bill Gelling and Mr David Hardy have been appointed to the Board of Melville Construction Holdings. Mr Eric Day has been appointed managing director of Melville Construction. Mr Roy Newland has become managing director of Melville Projects and Mr Simon Gardner and Mr Bob Barker have been appointed to the board of H. Firmin & Son.

INTERNATIONAL THOMSON PUBLISHING'S business magazine's division has appointed a new director. Mr Andrew Gill becomes commercial director following the appointment of Mr Richard Jell as publishing director—building and construction group. Mr Gill joined International Thomson Publishing last year after holding several senior publisher posts within Reed Publishing.

Mr Nicholas Condon has been appointed deputy chairman and director of mergers and acquisitions for HARTSTONE GROUP. He was formerly associate director corporate finance with Allied Irish Investment Bank in London.

MANUFACTURERS HANOVER CORPORATION US\$100,000,000 Floating Rate Subordinated Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the coupon amount for the period 15th July 1987 to 15th October 1987 will be US\$183.68 for the US\$100,000,000 denomination and US\$4,592.01 for the US\$250,000,000 denomination and will be payable on 15th October 1987 against surrender of Coupon No. 9.

Manufacturers Hanover Limited Agent Bank

BANK OF NEW ZEALAND
Cayman Island Branch
NZ \$150,000,000
Floating Rate Notes 1992

For the three months 10th July, 1987 to 12th October, 1987 the Notes will carry an interest rate of 17.98125 per cent. per annum.

Interest payable on the relevant interest payment date, 12th October, 1987 will amount to NZ \$46,307.88 per NZ \$1,000,000 Note and NZ \$231,539.38 per NZ \$5,000,000 Note.

Agent Bank
Morgan Guaranty Trust Company of New York, London

NATIONAL BANK OF CANADA
(a chartered bank governed by the Bank Act of Canada)
U.S. \$50,000,000
Floating Rate Notes due July 1991

In accordance with the provisions of the Notes notice is hereby given that for the six month interest period from 14th July 1987 to 14th January 1988 the Notes will carry an interest rate of 7.4375% per annum. The Coupon amount payable on Notes of U.S. \$5,000 will be \$190.07.

Agent Bank
FIRST CHICAGO LIMITED

The Molson Companies Limited
(Incorporated with limited liability under the laws of Canada)
U.S. \$38,000,000 Floating Rate Notes
Issued date 14th July 1986
Maturity date 14th July 1991

For the three month interest period from 14th July 1987 to 14th October 1987 the rate of interest on the Notes will be 6 1/2% per annum. The interest payable on the relevant interest payment date will be U.S. \$8,784.72 per U.S. \$500,000 note.

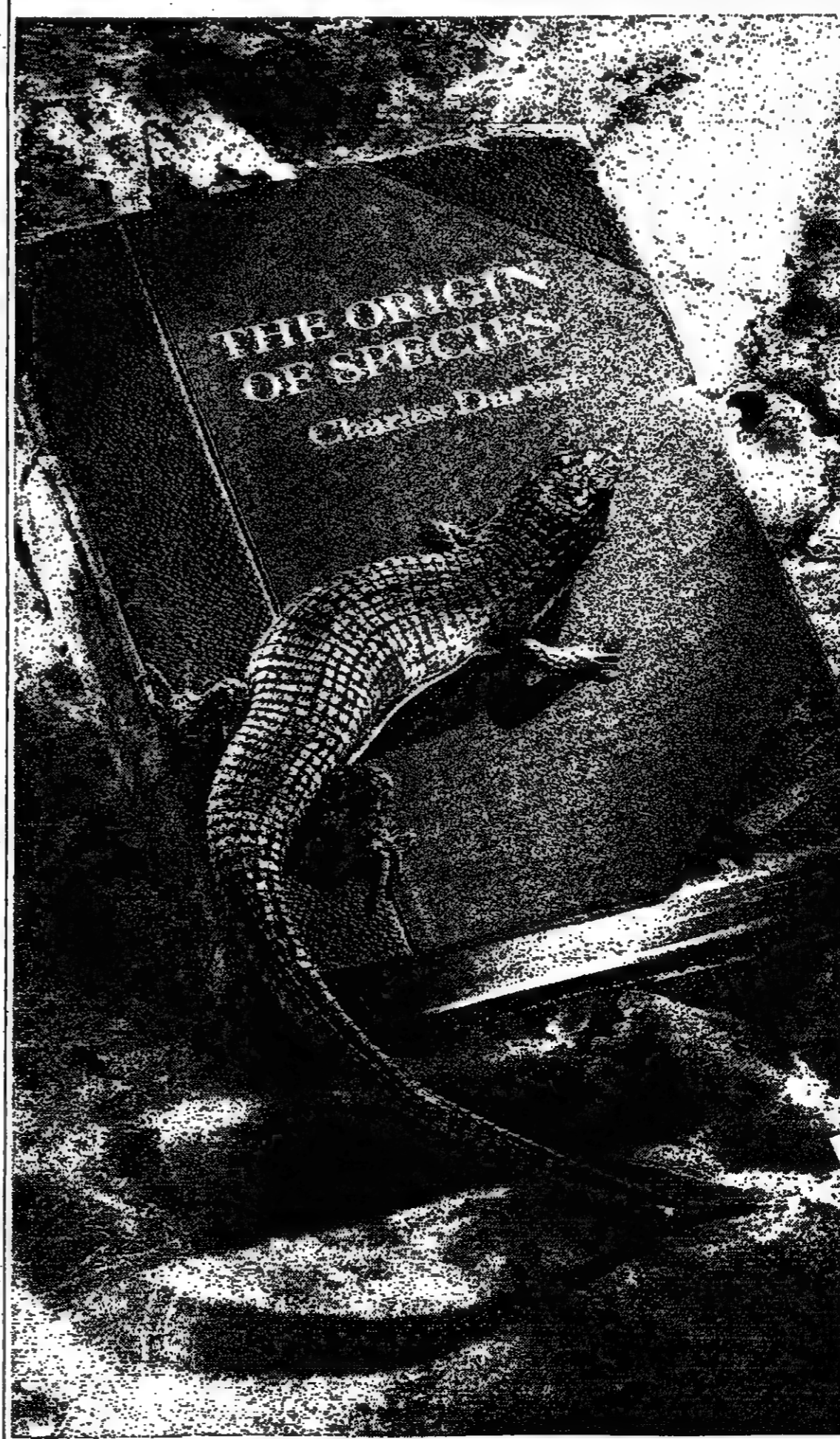
Morgan Grenfell & Co. Limited Reference Agent

MANUFACTURERS HANOVER CORPORATION
US\$100,000,000 Floating Rate Subordinated Notes due 1997

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Manufacturers Hanover Limited Agent Bank

The most controversial theories on life are often the most successful.



When Skandia Life was formed in 1979, the company immediately launched the first flexible, unit-linked whole life contract which was subsequently adopted throughout the industry. Since then we have built ourselves a reputation for innovation and flexibility in life assurance and pension products.

Now in our recently published Annual Report we make an exceptional proposal: that the independent intermediary, far from disappearing as a result of the Financial Services Act, will actually be strengthened by it.

Contrary to the view of most life and pension companies, our Report suggests that brokers will continue to prosper.

It's a controversial theory, but it comes from a company which seems to make a habit of getting things right.

In 1986 Skandia's assets rose to £536 million from £195 million in 1985. In the same period premium income nearly doubled, rising from £74 million to £135 million.

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And see our theories put into practice.

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Post to: Central Services Dept., Skandia Life, Head Office, PO Box 57, Frohisher House, Nelson Gate, Southampton SO9 7BX. Telephone: (0703) 554411.

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Skandia Life
ASSURANCE COMPANY LIMITED

UK COMPANY NEWS

Clay Harris looks at Next's surprise £28.5m purchase of Dillons
News for mail order customers

BRITAIN'S NEWSBOYS, of all ages and sexes, can relax. Mr George Davies does not plan to add mail-order catalogues and parcels to the burdens of their daily rounds.

They may, however, find the storeroom at the newagent filled with more than back issues awaiting return to the wholesaler.

Next, the fashion and furniture retailer, caught watchers at the stores sector off guard yesterday with its unexpected purchase, for £28.5m, of the Dillons Group, a 270-shop chain of news agents in the West Midlands and Home Counties.

Imaginations were stretched to envisage how the Next formula of designed retailing (flattered by imaginative competitors in every high street) could be applied to the mundane quarter-of-penny drops, packet-of-20 and evening rag world of confectionary, tobacco and news.

The reaction of Mr Richard Hyman, a director of Verdict Research, was typical: "The only thing that this has got in common with Next is that they both happen to use shops. Everything else about it has nothing to do with Next."

In terms of shop retailing, Next would find no reason to challenge this verdict. The Dillons acquisition underlines,

however, the emphasis that Next is placing on its Grattan mail order business and soon-to-be-launched catalogue under its own name.

Next's innovation, in this case, has little to do with design or range of products or retail ambience — and everything to do with the often neglected customer service of delivery. It will use the shops to improve local collection and distribution.

David Jones, Grattan chief executive as well as deputy chairman of Next, said yesterday that market research in preparation for the Next catalogue launch had uncovered a deep lode of suggestions about how mail-order service could be improved.

Again, and again, researchers heard customers complain of the inconvenience of deliveries arriving when they were not at home. Why could parcels not be brought in the evening?

Many turned out to be quite willing to pick up the parcel themselves from a convenient neighbourhood location, if the trip could be combined with some other errand.

The research fits in with Grattan's previous experience. As Britain's fourth largest mail-order group, with about 10 per cent of a £3.3bn market, it

LEADING NEWSAGENTS (% CTN sales*)	
W. H. Smith	4.7
Martin McCall (Guinness)	5.1
NBS/Forbushes (Gallagher)	3.6
John Menzies	2.4
Foley	1.2
Alfred Freedy	1.0
Dillons Group (Next)	0.9

* Confectionery/tobacco/news Source: Verdict Research

had already established a delivery system unlike those used by its rivals.

Since 1953, Grattan has used "super agents" who break up bulk deliveries and distribute them around to perhaps half-a-dozen local agents. This system still depended, however, on a number of busy people synchronising their movements.

Why not, asked Grattan, establish a neighbourhood centre — open seven days, often for long hours, but underused apart from peak periods — a place where people are more than not to pop in sometime during the day? Agents, themselves, could use the premises as a base for their own deliveries.

Next's intention to buy a chain of newsagents had been sidetracked by the unexpected opportunity to buy Combined English Stores, the shops chain for which its £28.5m bid success-

fully gazzumped an offer from Ratners, the jewellery group.

The proceeds from the expected disposal of certain parts of CES (Allens chemist shops, and at least part of the group's wholesale activities) is certain to exceed the acquisition cost of Dillons.

Nevertheless, the £28.5m purchase price is far above the £16.9m which Mr Arundhail Patel paid Hanson Trust in March for the larger Finlays chain. Mr Jones said, however, that Dillons is being bought on an historic p/e multiple of 14 — based on results already a year old.

Next has no illusions about injecting any glamour into Dillons shops, although it foresees limited opportunities for stocking Grattan products and taking advantage of the combined group's enhanced purchasing power.

Despite the excursion into uncharted waters, Next is confident that it cannot lose, so long as the newsagents' management maintain the solid, but solid earnings performance.

If the distribution experiment does not work out, Next expects always to be able to find a buyer.

If it does succeed, however, Next will waste little time in expanding the operation from the initial regional base.

£85m bid for Molins from TKM is rejected

By Terry Pavey

Molins yesterday robustly rejected the £85m bid from Tözer Kemmley & Millbourne, claiming that the offer was "an opportunistic attempt... dictated by short-term investment objectives."

In a formal reply to the TKM offer, the precision engineering company forecast that pre-tax profits for the year to February 1988 would not be less than £10m — £1.1m of which would come from first time receipts under patent licensing arrangements. For 1986-87 Molins reported £9m (up from £3.1m in 1985-86), of which £350,000 arose from a lower pension fund contribution — a benefit which continues into this year.

Mr Christopher Ross, Molins' managing director, accepted that the company had shown limited organic growth in the past two years, but said that this was a feature of the capital goods industry.

"It would be very easy to boost our profits for a year or two by cutting its £8m a year of research and development spending but after five years there would be no more Molins," he declined. As a result the company's main appeal to shareholders had been as an income stock although its shares had kept pace with the industrial index he noted.

Behind the TKM bid is the New Zealand-based Briley group which has a 24 per cent stake in Molins. Mr Ross said that the Briley holding had been built up "against the board's wishes and that a Mexican stand-off now existed."

The timing of this bid had led to the shelving of acquisition plans involving two overseas companies said Mr Ross. Molins was intent on building up the industrial applications of its high speed production technology outside its traditional cigarette applications.

Last night Molins closed up 4p at 289p ahead of the cash alternative from TKM of 251p and the shares-plus-cash offer worth 250p a share on the bidder's closing 139p, up 5p.

Quest swings back to profit

Quest Group, computer products supplier, made pre-tax profits of £2.9m in the year to February 28 compared with a loss of £1.1m the previous year. Turnover also increased from £11.45m to £28.83m, an increase of 2.5 times. This was achieved by an increase in exports. The group has also reduced its borrowings and overheads.

As a result the directors have recommended that dividend payments be resumed with a final dividend of 1p. It is also proposed to capitalise reserves by a scrip issue of one new ordinary share for every ten ordinary shares in issue.

Extraordinary debits of £200,000 (£38,000) relate to costs in relation of liquidation of Quest's former associated company Quest CAE and costs relating to the capital reorganisation.

The group made an operating profit of £4.32m (£225,000). Tax took £600,000 (nil). Technical and development expenditure came to £636,000 (£603,000) and interest charges were £732,000 (£710,000). Earnings per share were 14.92p compared with a loss of 7.44p the previous year.

Norbain back into black with £11,000 profit

Norbain Electronics, the USAC quoted distributor of electronic components, got back into the black with a small pre-tax profit of £11,000 for the year to April 30 1987 compared with a previous loss of £232,000.

Mr John Nicol, chairman, said that measures taken during the past year to restore profitability of the group were already beginning to show positive results.

Turnover last year rose from £19.44m to £23.14m and the gross profit from £4.36m to £4.81m. Distribution and marketing expenses were a little lower at £2.67m (£2.99m) while administrative expenses were up from £1.4m to £1.55m. The operating profit emerged at £395,000 (£35,000). Interest payable increased from £345,000 to £438,000 and there was an exceptional debit of £141,000 (nil).

Tax took £120,000 (£131,000) leaving a loss of £109,000 (£131,000 loss) and a loss per share of 1.6p (1.9p).

£60m choice for W H Smith

W. H. Smith, the retailing and newspaper wholesaling group, has until August 19 to decide the fate of its 50 per cent interest in Book Club Associates, for which Bertelsmann, the West German publisher, has made an offer believed to be over £60m.

Mr Peter Bagnell, a W. H. Smith director, yesterday described Bertelsmann's offer

as "very attractive."

Bertelsmann acquired half of Book Club as a result of its takeover of Doubleday, the US publisher, last year. Book Club was established 21 years ago as a joint venture between W. H. Smith and Doubleday, and trading figures are not disclosed.

W. H. Smith had earlier tendered an offer for Bertelsmann's stake in Book

Club, as specified by clauses in the original joint venture agreement should one party to the joint venture sell its interest. According to the agreement W. H. Smith now has the option of either selling its interest to Bertelsmann at the offer price, or acquiring Bertelsmann's stake in Book Club at the same price.

Mr Bagnell said that W. H. Smith had not yet made a final decision whether to accept the offer. W. H. Smith has entered preliminary discussions with third parties who may be interested in acquiring the entire Book Club business from W. H. Smith should W. H. Smith exercise its option to acquire the Bertelsmann stake.

The possibility that W. H. Smith would operate Book Club as a wholly owned subsidiary has not been excluded.

Mr Bagnell described Book Club as an integral part of the trade of W. H. Smith, but "somewhat apart from our normal retailing."

Burgess up sharply on £5m forecast

By Steven Butler

Shares of Burgess, the precision electronics company, rose 30p yesterday to close at 372p, following a forecast that pre-tax profits would exceed £5m in the year to the end of August 1987, compared with profits of £3.1m last year. A dividend of 3.125p was also proposed, an increase of 25 per cent.

The forecast was issued in connection with a recommended Burgess' bid for American Electronic Components, for which Burgess has irrevocable undertakings to accept the offer amounting to 37 per cent of AEC's share capital.

Shares of AEC rose in tandem, picking up 3p to close at 461p. Burgess is offering one of its own shares for each eight AEC shares, valuing AEC at £52.63m based on yesterday's closing prices.

WPP set for JWT victory

By Nikki Tait

WPP, the UK marketing services group transformed from a shopping trolley manufacturer two years ago, yesterday looked on course for victory in its audacious \$566m bid for JWT Group, the esteemed New York advertising agency and PR group.

In New York, shares in JWT were trading at \$53.4 by lunchtime, a shade below the \$55.50

cash offer. The cash tender was due to close at midnight New York time.

In London, WPP's advisers, Samuel Montagu, said they expected most of the acceptances to come in during the afternoon. However, during the period of the revised offer — now agreed with the JWT board — there has been no sign of any rival bidder and only occasional flurries in the share price.

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McDonald's Corporation

Can. \$75,000,000

8 1/2% Notes Due 1992

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McLEOD YOUNG WEIR INTERNATIONAL LIMITED

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SALOMON BROTHERS INTERNATIONAL LIMITED

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ORION ROYAL BANK LIMITED

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DEUTSCHE BANK CAPITAL MARKETS LIMITED

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VEREINS- UND WESTBANK AKTIENGESellschaft

BANQUE PARIBAS CAPITAL MARKETS LIMITED

BERLINER HANDELS- UND FRANKFURTER BANK

CREDITANSTALT-BANKVEREIN

LANDESBANK RHEINLAND-PFALZ GIROZENTRALE

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SECURITY PACIFIC HOARE GOVETT LIMITED

TOKAI INTERNATIONAL LIMITED

WESTDEUTSCHE LANDESBANK GIROZENTRALE

24th May 1987

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7th May 1987

All of these securities have been sold. This announcement appears as a matter of record only.

TECHNOLOGY

Expert advice falls upon deaf ears

Sophisticated users have begun to demand more than just 'white collar robots' with the ability to mimic human judgments

THE problem with "expert systems" is that experts won't buy them. How many doctors can be persuaded that a computer program can make diagnoses? Which banker is willing to hand over loan decisions to a machine? Even computer systems managers, apparently, don't have enough faith to entrust the maintenance of their expensive machines to an "expert" program.

US software companies are beginning to recognise that all of the talk of "white-collar robots" and machines that can mimic human expertise and judgment has created a barrier to commercial applications of expert systems, rather than attracted potential buyers. Now

maintains that the programs should be used to provide more economic solutions to traditional computer applications rather than to create the "brave new world" of computerised bankers, doctors and lawyers.

The real advantages of expert systems are that they can be developed far more efficiently than conventional computer programs, Reinstein maintains.

"Programming can be completed in a matter of weeks rather than months, if the application is well understood," he claims. "And applications can be built incrementally as the specifications evolve."

Many applications of Aion software are not "pure" expert systems, Reinstein freely admits. One example is a program developed by US computer services group, Boole & Babbage, using Aion's development tools, to interpret the voluminous computer performance data produced by conventional systems analysis programs. The "expertise" in the B & B program is just a small part of a much bigger application.

As a major US supplier of software to IBM computer users, Boole & Babbage has no intention of calling its new product an "expert system," even though it incorporates elements of the new software technology.

"The term expert system has a lot of pizzazz. However, it can set up unrealistic, and even threatening, expectations," says Peter Wong, B&B's director of expert applications.

The emerging artificial intelligence industry, it seems, is beginning to learn the same lesson that consumers taught personal computer makers a few years ago when they began to ask "what is your product going to do for me?"

Engineered answer to quest for better chips

Another emerging technology that may have to overcome "hype" to prove its real value is superconductivity. As IBM president of science, Francis C. Chang, told US Congressmen recently, "The leap from research to practical applications can be a great one. We did not invent rockets one day and walk on the moon the

next." It will be years, if not a decade, before superconducting materials (which present virtually no resistance to electrical current) have any real commercial value. In the meantime, more mundane but better understood semiconductor materials will remain the stuff that most computers and electronics equipment are made of.

The limits of semiconductor performance remain well beyond reach using current chip production technology. The quest for ever denser, faster microcircuits is however becoming more expensive and complex.

A novel solution, proposed by Kopin Corporation of Taunton, Massachusetts is to "engineer" the basic materials used to make semiconductor chips. Kopin's materials researchers, who emanate from the Massachusetts Institute of Technology's Lincoln Laboratory, have developed composite semiconductor wafers that combine the robust properties of silicon with faster but more fragile semiconductor materials such as gallium arsenide. Their multi-layer wafers could be used to produce a new generation of ultra-fast chips without having to invest in sophisticated and expensive new production equipment.

According to Kopin, US chip-makers are warning the idea of "water engineering." Founder and chairman, John Fan, says that within a year major semiconductor makers will begin using composite wafers. "The change will be instant because the need is acute."

Changing climate for grape growers

White wine drinkers have a new treat in store. Several California wineries, most notably Chateau de Beaulieu in Santa Rosa, have recently introduced a wine called "Symphony," made using a new variety of grapes created at the University of California, by Professor Harold Olmo.

Prof. Olmo spent 30 years perfecting his invention — a cross between muscat and grenache grapes. According to experts the result is a highly variable fruit that produces

"very fruity wine with a distinct aroma." Grape growers are also impressed. Symphony vines will grow in almost any climate and yield up to twice as many grapes as other varieties.

California's premium wine-makers of the Nappa Valley are not however planning to experiment with Symphony. It is a hardy variety that can be grown in regions that do not have the climate and soil needed for traditional varieties. The growers of the Nappa Valley have no such problems. But Symphony might do very well in less ideal conditions — maybe for winegrowers in Kent, the Garden of England.

The map that has moved America

Some things never change, at least, we don't expect them to. It came as a bit of a shock, therefore, for Americans to learn last month that the distance from California to New York has grown by 60 feet and that the Golden Gate Bridge has shifted 314 feet south west of where everyone thought it was. The Washington Monument has also been on the move — 94.5 feet north west — while the Empire State Building is now 120.5 feet further north than it used to be, and in Honolulu the sagittal on top of the Judicial Building has jumped by no less than 1,480.8 feet to the south.

The explanation for these extraordinary events turns out to be quite simple. Modern surveying technology is more accurate than that of the early 1900s, when the relative distances of some 250,000 landmarks were first used to map the United States.



EAGLE EYE

By Louise Kibben

In the first major revision of the US map since 1927, the National Geographic Society has used satellites and computers to pinpoint the exact positions of survey markers to an accuracy of 99.999 per cent.

Considering that the original surveyors travelled on foot and pack mules using only tape measures and sighting scopes to do the job, and made all of their calculations unaided by machines, their results were amazingly accurate. A difference of 60 ft in almost 3,000 miles represents an error of only 0.00037 per cent — according to my pocket calculator.



Texans put new life into old bones

Materials scientists at the University of Texas have high hopes for their latest development — a substance that appears to be ideal for making synthetic bones.

The material could find widespread use in orthodontics, the reconstruction of shattered bones and in the replacement of bone removed during cancer surgery.

The researchers have synthesised a very pure and strong form of hydroxyapatite, a mineral that makes up about 65 per cent of living bone. In nature, this material provides strength and rigidity and acts as a porous matrix that supports bone marrow, bone growth cells and blood vessels.

Animal tests of the synthetic material suggest that it can mimic the support functions of natural bone as well as being much stronger than current bone replacements. According to the researchers, implants of the synthetic material are slowly broken down by the body and replaced by living bone.

Battelle's mind turns to profits

BY DAVID FISLOCK, SCIENCE EDITOR

PROFIT HAS been a forbidden word throughout the 60-year history of the Battelle Memorial Institute, the world's biggest contract research organisation. But no longer, says Professor Thomas Kabierschke, general manager of Battelle Europe.

Instead of jealously preserving its "charity" status, the target today is a profit of 17 per cent on capital to reinvest in fast-moving research where instrumentation can be out-of-date in as few as two or three years. In a more highly competitive world, the charity status has proved more of a handicap than an asset.

Battelle's top management team in Columbus, Ohio, headed by Ronald S. Paul, president and chief executive officer, has sharpened its view of the organisation's role in trying to solve other people's high-tech problems in an age of such rapid change. This could mean opening new laboratories in Britain and elsewhere in Europe, believes Professor Kabierschke, who has just been elected a corporate vice president of the company.

In the mid-1920s the company, through the vision of its founder, Gordon Battelle, pioneered problem-solving under contract. It has grown to a research team of 8,000 with an income last year of \$579m (about £350m). In 1986 it patented 81 of its own inventions. But it admits that it has not been particularly good at exploiting its patents in the past.

In Europe, Battelle has two research centres, established in the 1950s in Frankfurt and Geneva. But Europe has never developed the faith in contract research displayed by the US. The European laboratories, huddled for contracts worldwide, increasingly in competition with other research centres in North America. Last year they brought in business totalling about \$65m (£39m).

The Geneva laboratory in particular has languished and now employs only 500 of a total of 960 in Europe, although some of its activities have been hived off into a new software company set up by Battelle. Overall, about 55 per cent of the income of Battelle's European centres comes from industry (in the case of Geneva this includes Japanese industry) and 45 per cent from government (mostly from West Germany). A new European management

team headed by Professor Kabierschke and Klaus Staehle, manager of the Frankfurt laboratory, has integrated the European activities into a single operation. Battelle Europe, managed from Frankfurt, Professor Kabierschke says he has stopped the previous competition between Battelle laboratories. This pleases his scientists, who have more time for research.

"Everybody's crying for high technology," says Professor Kabierschke. Italy has invited him to manage a national research centre, as Battelle does in the US. The contract to manage the Pacific North West

Italy's Government is eager for the company to expand its marketing base in Milan

laboratories of the US Department of Energy is worth \$160m a year. But the practice is novel for Europe.

The Frankfurt centre alone once had research in 27 different areas of technology. Battelle Europe has now redefined just five business sectors in which it wants to be active: technology management and assessment; biological and environmental sciences; electronic systems; advanced materials; and engineering.

"This is a different business," says Staehle. "When Battelle first came to Europe 30 years ago, industry needed long-term business development," he says. Today, the demand is for short-term development and ready-made products. But another big challenge is to attract business from the large number of small companies in Europe which neither invest in research nor seem to want to co-operate.

Meanwhile, Battelle Europe, armed with its own portfolio of patents, is seeking joint ventures. Where previously it was interested only in licensing patents, today it is seeking a share of profits. Prof. Kabierschke says the organisation is transforming itself "from an ivory tower into a hard-nosed systems house." Battelle Europe already has about ten partnerships under negotiation. As management sees it, West

Germany is the premier European market for Battelle Europe today — "no doubt about it," confirms Staehle. Then comes Switzerland, Italy, France and Britain, in that order.

More than once in the past, Battelle has considered Britain seriously as a location for a research centre, but turned it down on grounds that the nation showed too little interest in contract research. Not until the atomic energy research laboratories at Harwell launched a big effort in the late 1960s, after carefully studying the Battelle experience, was contract research taken seriously by the UK.

Battelle has a London-based team specialising in technical management assessment. It is a team of eight professionals forecasting what the future may hold for companies a decade or so away. "We will broaden our activity in the UK," Prof. Kabierschke promises.

One possibility is a specialist automotive laboratory concentrating on special-purpose vehicles across a spectrum spanning, incongruously, military vehicles and transport for the handicapped. Another is that Battelle will build on Britain's expertise in environmental sciences.

But Italy is probably the most attractive prospect for expansion of Battelle Europe. Staehle believes, the Italian Government has made it clear it is eager to see Battelle expand from its present marketing base in Milan. The way ahead may be a joint venture, either with the state or with a private company, says Staehle.

France is also courting the company and has offered land as an inducement. But it wants the research centre in a provincial setting, away from Paris. Battelle has already won a state contract to discover which French schools may have had asbestos used in their construction.

Although not strictly research — and Battelle's charter still precludes undertaking mere "testing" — Battelle executives justify this contract on the grounds that it harnesses the organisation's special expertise in environmental toxins. "It's what we call high technology services," says Klaus Staehle.

Company Notices

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Registration No. 01/01124/06)

ISSUED CAPITAL: 14,841,721 shares of 50 cents each

	Consolidated Quarter ended 30 June 1987	Consolidated Quarter ended 31 March 1987	Consolidated Six months ended 30 June 1987
OPERATING RESULTS (tons 000)			
Total mined	2,320	2,581	4,901
Tons sold	2,016	2,180	4,196

FINANCIAL RESULTS (R000)			
Sales and other revenue	44,324	48,609	92,933
Cost of sales	35,884	36,493	72,377

Profit before tax	8,440	12,116	20,556
Tax	3,578	3,560	7,138
PROFIT AFTER TAX	4,862	8,556	13,418

Capital expenditure	1,522	2,608	4,210
Dividend	5,039	—	5,039

NOTES:

(1) Capital Expenditure: The unexpended balance of authorised capital expenditure at 30 June 1987 was R6.3 million.

(2) Dividend: A dividend (No. 148) of 30 cents per share declared on 11 June 1987 is payable to members on or about 5 August 1987.

On behalf of the Board
P. R. JANISCH
A. M. D. GNODDE
Directors

10 July 1987

Toray Industries, Inc.

(formerly Toyo Rayon Kabushiki Kaisha)

S.G. Warburg & Co. Ltd. announce that a dividend of Yen 3.00 per share has been paid to shareholders on the books of the above Company as at 31st March, 1987 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S.G. Warburg & Co. Ltd. may present Coupon No. 9 for payment at:

S.G. Warburg & Co. Ltd.
Paying Agency, 6th Floor,
1 Finsbury Avenue,
London EC2M 2PA

or
Banque Internationale
à Luxembourg,
2 Boulevard Royal,
Luxembourg

Payment will be subject to deduction of Japanese Withholding Tax and in London, United Kingdom Tax (where applicable) at the appropriate rates. Details of tax deduction can be obtained from the Paying Agency.

14th July, 1987

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JULY ISSUE TOP 500



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مكتبة الأهل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls back at DM 1.85

THE DOLLAR fell back in London from a strong start, to finish weaker against most European currencies, and also near its lowest level of the day against the Japanese yen.

The initial surge by the dollar followed strong demand in the Far East where the US currency traded above DM 1.85 for the first time since the middle of March. It also moved above ¥161 but found resistance around ¥151.50.

The dollar opened slightly below DM 1.85 in Europe, and failed to break through this level and establish a new trading range. This led to profit taking, on fears of central bank intervention, and reluctance of dealers to run positions ahead of tomorrow's May US trade figures.

Most forecasts suggest little change from the April trade deficit of \$13.3bn, but a figure above \$14bn could reverse the dollar's recent upward trend.

The dollar fell to DM 1.8425 from DM 1.8450 to FFR 2.3225 from FFR 2.3275, and to SF 1.5390 from SF 1.5405, but rose to ¥150.85 from ¥150.45 in London and ¥151.35 in Tokyo.

On Bank of England figures the dollar's index was unchanged at 103.2.

STERLING—Trading range against the dollar in 1987 is 1.48 to 1.4716. June average 1.4828. Exchange rate index rose 0.2 to 73.1, compared with 68.5 six months ago.

Sterling remained on the sidelines, as attention focused on the dollar. Firm oil prices helped the pound recover from a nervous start, but there were no other factors.

STERLING INDEX

	July 13	Previous
U.S. dollar	103.2	103.2
West Germany	103.2	103.2
France	103.2	103.2
Italy	103.2	103.2
Japan	103.2	103.2
Canada	103.2	103.2
Switzerland	103.2	103.2
Netherlands	103.2	103.2
Belgium	103.2	103.2
Spain	103.2	103.2
Portugal	103.2	103.2
Greece	103.2	103.2
Ireland	103.2	103.2
United Kingdom	103.2	103.2

Source: Bank of England. Figures for July 13, 1987.

CURRENCY RATES

	July 13	Previous
U.S. dollar	1.8425	1.8450
West Germany	2.3225	2.3275
France	1.5390	1.5405
Italy	1.5390	1.5405
Japan	150.85	150.45
Canada	1.0325	1.0325
Switzerland	1.4825	1.4825
Netherlands	1.6325	1.6325
Belgium	1.6325	1.6325
Spain	1.6325	1.6325
Portugal	1.6325	1.6325
Greece	1.6325	1.6325
Ireland	1.6325	1.6325
United Kingdom	1.6325	1.6325

Source: Bank of England. Figures for July 13, 1987.

CURRENCY FUTURE

Source: Bank of England. Figures for July 13, 1987.

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France	1.5390	1.5405
Italy	1.5390	1.5405
Japan	150.85	150.45
Canada	1.0325	1.0325
Switzerland	1.4825	1.4825
Netherlands	1.6325	1.6325
Belgium	1.6325	1.6325
Spain	1.6325	1.6325
Portugal	1.6325	1.6325
Greece	1.6325	1.6325
Ireland	1.6325	1.6325
United Kingdom	1.6325	1.6325

Source: Bank of England. Figures for July 13, 1987.

OTHER CURRENCIES

	July 13	Previous
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West Germany	2.3225	2.3275
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Belgium	1.6325	1.6325
Spain	1.6325	1.6325
Portugal	1.6325	1.6325
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Belgium	1.6325	1.6325
Spain	1.6325	1.6325
Portugal	1.6325	1.6325
Greece	1.6325	1.6325

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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High Income Trust	217.9	+3.8	1.39	Income & Growth TW	24.9	+2.6	1.81	Robert Fraser Trust Mgt. Ltd.	24.9	+2.6	1.81	AS UK Equity TW	24.9	+2.6	1.81
Equity Income Trust	219.5	+3.2	1.42	Income Growth TW	25.0	+2.6	1.83	29 Alternavie St. London W1	25.0	+2.6	1.83	AS Japan	25.0	+2.6	1.83
High Yield Trust	221.5	+2.5	1.45	Japan Growth TW	25.1	+2.6	1.85	St. James Park, London W1	25.1	+2.6	1.85	AS Eurobond	25.1	+2.6	1.85
Equity Trust	223.5	+2.8	1.48	M. Auer Growth TW	25.2	+2.6	1.87	St. James Park, London W1	25.2	+2.6	1.87	AS US Equity TW	25.2	+2.6	1.87

BASE LENDING RATES

	%		%		%
ABN Bank	9	Chenoweth Bank	9	Real Bk. of Kansas	9
Adams & Company	9	Citibank N.A.	9	ReMax/Realty	9
Allied Arco Bk. Ltd.	9	City Merchants Bank	9	Western Bank Ltd.	9
Allied Dunbar & Co.	9	Cyprusbank Bk.	9	Whitcomb Gen. Trust	9
Allied Irish Bank	9	Canam, Bk. N. East	9	Wm. French, Inc.	9
American Exp. Bk.	9	Comstock Fed.	9	Provincial Trust Ltd.	10
Auro Bank	9	Co-operative Bank	9	R. Raphael & Sons	9
Avoy Antibank	9	Cyprus P.C.	9	Randolph & Grattan	9
BNF, Banking Group	9	Cyprus TSB Bank	9	Real Estate Development	9
Bank of America Corp.	9	Equity "Top" plc	9	Regal Trust Bank	9
Banking & Co. Ltd.	9	Exeter Trust Ltd.	9	Sterling & Wilson	9
Barclays & C.	9	Financial & Gen. Sec.	9	Guinness Commercial	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10	YSS	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	10	US Mortgage Exp.	13
Bank of Montreal	9	Robert Fleming & Co.	9	United Bk. of Canada	9
Bank of Cyprus	9	Robert Fraser & Pys	10	United Mizrahi Bank	9
Bank of Ireland	9	Grubbans	9	Unity Trust P.L.C.	9
Bank of London	9	Grubbans Bank	9	Western Trust	9
Bank of Scotland	9	Guinness Bank	9	Westpac Bank Group	9
Bankers' Trust	9	HSBC Bank & Savings	9	Westpac Finance Ltd.	9
Barclays Bank	9	W. H. Bank	9	Yorkshire Bank	9

Beafield Trust Ltd.	210	W. Hill Mansions	71	% Members of the Assoc.
Bankers Bank AG	9	C. Moore & Co.	9	Houses Committee
Beth Bk of Mid East	9	Horsburgh & Stamp	9	Members 4% Shareholders
Brown Shipley	9	Lloyds Bank	9	Top Tier—£2,500+ at 3 1/2
Business Mgmt Inc.	9	Morgan & Sons Ltd.	9	million 7.57% At call
CL Bank International	9	Widows Bank	9	\$10,000+ remaining dep
Canada Permanent	9	Morgan Grenfell	9	% Call deposits £1,000 and
Casper Ltd.	9	Mount Credit Corp. Ltd.	9	4 1/4% gross. % Mortgage loans
				£ covered
				deposit 3.
				Mortgage 11.25%.

INVESTING FOR BEGINNERS

By Daniel O'Shea

This book is based on a complete series of articles published in the *Investors Chronicle* under the heading 'Beginners Guide to the Stockmarket'. It analyses the basic principles of stockmarket investment, discusses the different categories of quoted investment, examines a whole range of related essentials such as the interpretation of company accounts and gives an up-to-date review of relevant tax rules.

In short, it is a complete guide to its subject. An ideal guide for people new to the stockmarket, investing for Beginners should also prove valuable to experts who wish to refresh their ideas on basic aspects of the subject.

Contents

- 1 How safe are stocks and shares?
- 2 How gift-edged stocks work
- 3 Equities give you a piece of the action
- 4 How to buy and sell stocks and shares
- 5 Earnings and dividends — and how to measure them
- 6 Understanding company accounts
- 7 Putting the figures to work
- 8 Movements in markets
- 9 Building a portfolio
- 10 Manufacturing companies: the problem areas
- 11 Success among the retailers
- 12 Banking and insurance
- 13 Investment trusts offer a spread
- 14 How to evaluate property companies
- 15 Understanding the oil market
- 16 Thrills and spills in mining shares
- 17 Overseas trading companies
- 18 Investing abroad: high risk or high rewards
- 19 What scrip issues are all about
- 20 When a company makes a rights issue — the shareholder's sums
- 21 Thrills and spills of the takeover
- 22 New issues — how companies get a quote
- 23 More about gilts — and other fixed interest stocks
- 24 Warrants, options and traded options
- 25 Investing the unit trust way
- 26 Insurance-linked investment — the pros and cons
- 27 Using charts and other investment systems
- 28 Your broker and your shares
- 29 Accounting for your success

30 share issues and gains tax
31 Where to get information and advice Glossary - Index

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Quest swings back to profit

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Financial Times Tuesday July 14 1987

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LONDON SHARE SERVICE

INSURANCE—Continued

Stock	Price	%	Div	Yield
1987				
1986				
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LONDON STOCK EXCHANGE

Equities below best after early burst of strength
Government bonds quietly firm

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 18
- For Settlement Oct 19

For rate indications see end of London Share Service

from broker CIBC—formerly broker Grosvenor & Co. saw ECA near 14 to 17p, after 41p. Press comment lifted Flyer Oil 14 to 51p.

Traded Options

Increased activity in traded options resulted in 50,994 contracts struck with business relatively well spread throughout the list. Some were lively on the London & Court statement and attracted 3,845 calls, 1,338 in the December 1987, and 2,345 puts, of which 1,237 were struck in the ever-popular September 1987. Hanson Trust recorded 3,588 calls, the September 1987 and 1987 contracts 338 trades respectively, and 1,631 puts. British Airways were also in demand with 3,350 calls and 2,388 puts transacted.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system

Volatility					Stability				
Stock	Volume	Value	Change	Day's change	Stock	Volume	Value	Change	Day's change
ASDA-MFI	9,400	219k	-1 1/2		Japan	1,650	540	+1	
Amstrad	2,500	175	-1		Land Securities	1,100	557	+1	
Anglo Irish	971	471	-1		Langley & Co.	2,000	326	+2	
Anglo Irish Food	2,000	257	+1		Langley & Co.	1,000	178	+1	
BAT	2,200	657	+1		Langley & Co.	601	284	+1	
BEI	1,400	297	+1		Langley & Co.	635	348	+1	
BHP	407	824	+10		Langley & Co.	1,000	178	+1	
BPC	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
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BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
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BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
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BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
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BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
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BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.	1,300	732	+1	
BSE	2,300	157	-1		Langley & Co.	1,000	178	+1	
BSE	4,100	317	-1		Langley & Co.				

WORLD STOCK MARKETS

AUSTRIA				GERMANY				SPAIN				AUSTRALIA				JAPAN				CANADA			
July 13	Price	Change		July 13	Price	Change		July 13	Price	Change		July 13	Price	Change		July 13	Price	Change		July 13	Price	Change	
Brenntag	1320	+3		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	
Göteborg	2630	+10		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	
Industriell	11200	+20		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	
Landbank	750	+5		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	
Paribas	670	-		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	
Styria	120	-1		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	
Wolfsberger	747	-		AGF	399.50	-		Banco Bilbao	1420	-		Nippon Seirin	370	+10		Alcan	100	+10		Alcan	100	+10	

TORONTO

Closing prices July 13

Sales

Stock

High

Low

Close

Change

Sales

Stock

High

Low

Close

Change

Sales

Stock

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Low

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OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 43

Stock

High

Low

Last

Change

Stock

High

Low

Last

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NEW YORK ACTIVE STOCKS

Friday

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Change

LONDON

Chief price changes

(In pence unless otherwise indicated)

Rises:

BTR

354

+10

Fairbairn

320

+29

Floy Oil

81

+14

Floy (Maurit)

81

+14

Cape Inds

161

+14

Control See

74

+14

Courtlands

521

+21

Goode Durrant

270

+19

Goode Durrant

270

+19

Goode Durrant

270

+19

N. AMERICAN QUARTERLY RESULTS

CENTRAL BANKING

Banking

Second quarter

1987

1986

Revenue

1.22m

1.13m

Net income

1.2m

0.81

Six months

27.6m

23m

Net per share

1.96

1.55

Includes \$20.4m gain

Includes \$20.4m gain

Includes \$20.4m gain

Includes \$20.4m gain

Includes \$20.4m gain

Includes \$20.4m gain

Includes \$20.4m gain

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AMEX COMPOSITE CLOSING PRICES

[illegible]

